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HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament

1960-61

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND
TELEGRAPH LINES

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1-9

MONDAY, FEBRUARY 20, 1961

Respecting

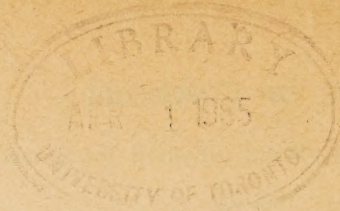
Bill C-69, An Act respecting the Construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a north-westerly direction to a point in the vicinity of Mattagami Lake.

Including First and Second Reports to the House

WITNESSES:

Hon. Léon Balcer, Minister of Transport; and Messrs. Donald F. Purves, K. M. Ralston and Pierre Taschereau, Q.C., of *Canadian National Railways*.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961



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STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: Martial Asselin, Esq.

and Messrs.

Allmark	Fisher	McPhillips
Badanai	Garland	Michaud
Baldwin	Grills	Monteith (<i>Verdun</i>)
Bell (<i>Saint John-Albert</i>)	Hardie	Nielsen
Bourbonnais	Horner (<i>Acadia</i>)	Pascoe
Bourget	Johnson	Payne
Bourque	Keays	Phillips
Brassard (<i>Chicoutimi</i>)	Kennedy	Pigeon
Brassard (<i>Lapointe</i>)	Lessard	Pitman
Browne (<i>Vancouver-Kingsway</i>)	MacInnis	Rapp
Bruchesi	MacLean (<i>Winnipeg North Centre</i>)	Rogers
Cadieu	Martin (<i>Essex East</i>)	Rynard
Campbell (<i>Stormont</i>)	Martini	Smith (<i>Calgary South</i>)
Campeau	McBain	Smith (<i>Lincoln</i>)
Chevrier	McDonald (<i>Hamilton South</i>)	Smith (<i>Simcoe North</i>)
Chown	McFarlane	Thompson
Creaghan	McGee	Tucker
Denis	McGregor	Valade
Drysdale		Woolliams
Dumas		Wratten—60.

Eric H. Jones,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS

FRIDAY, December 2, 1960.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Allmark,	Drysdale,	McGregor,
Asselin,	Dumas,	McPhillips,
Badanai,	Fisher,	Michaud,
Baldwin,	Garland,	Monteith (Verdun),
Bell (Saint John-Albert),	Grills,	Pascoe,
Bourbonnais,	Hardie,	Payne,
Bourget,	Horner (Acadia),	Phillips,
Bourque,	Horner (Jasper-Edson),	Pigeon,
Brassard (Chicoutimi),	Howe,	Pitman,
Brassard (Lapointe),	Johnson,	Pratt,
Browne (Vancouver-Kingsway),	Keays,	Rapp,
Bruchesi,	Kennedy,	Rogers,
Cadiou,	Lessard,	Rynard,
Campbell (Stormont),	MacInnis,	Smith (Calgary South),
Campeau,	MacLean (Winnipeg North Centre),	Smith (Lincoln),
Chevrier,	Martin (Essex East),	Smith (Simcoe North),
Chown,	Martini,	Thompson,
Creaghan,	McBain,	Tucker,
Crouse,	McDonald,	Valade,
Denis,	McGee,	Wratten—60.

(Quorum 20)

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

THURSDAY, January 19, 1961.

Ordered,—That the name of Mr. McFarlane be substituted for that of Mr. Pratt on the Standing Committee on Railways, Canals and Telegraph Lines.

MONDAY, February 6, 1961.

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to print such papers and evidence as may be ordered by it, and that Standing Order 66 be suspended in relation thereto; that the quorum of the said Committee be reduced from 20 to 10 Members, and that Standing Order 65(1)(b) be suspended in relation thereto; and that the said Committee be given leave to sit while the House is sitting.

WEDNESDAY, February 15, 1961.

Ordered,—That the names of Messrs. Nielsen and Woolliams be substituted for those of Messrs. Crouse and Horner (*Jasper-Edson*) respectively on the Standing Committee on Railways, Canals and Telegraph Lines.

THURSDAY, February 16, 1961.

Ordered,—That Bill C-69, An Act respecting the Construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a north-westerly direction to a point in the vicinity of Mattagami Lake be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, February 1, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto;
2. That its quorum be reduced from 20 to 10 members and that Standing Order 65 (1) (b) be suspended in relation thereto;
3. That it be given leave to sit while the House is sitting.

Respectfully submitted,

W. M. HOWE,
Chairman.

TUESDAY, February 21, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SECOND REPORT

Your Committee has considered Bill C-69, an Act respecting the Construction of a line of railway in the province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls subdivision in a northwesterly direction to a point in the vicinity of Mattagami Lake, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence respecting the said Bill is appended.

Respectfully submitted,

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

MONDAY, February 20, 1961.

(2)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. this day, the Chairman, Mr. W. M. Howe, presiding.

Members present: Messrs. Badanai, Baldwin, Chevrier, Chown, Creaghan, Dumas, Fisher, Grills, Horner (*Acadia*), Howe, Keays, MacLean (*Winnipeg North Centre*), McFarlane, McPhillips, Monteith (*Verdun*), Pascoe, Pitman, Rapp, Rogers and Woolliams—20.

In attendance: The Honourable Leon Balcer, Minister of Transport; Mr. F. T. Collins, Special Assistant and Secretary, Department of Transport; and of the *Canadian National Railways*: Messrs. Donald F. Purves, Chief of Development; Pierre Taschereau, Q.C., Solicitor; K. M. Ralston, Commissioner of Development and Mining Engineer, all of Montreal; and Walter Smith, Ottawa Executive Representative.

Pursuant to a resolution of the Committee on January 31, 1961, the Chairman named the following 6 members, in addition to himself, to comprise the Subcommittee on Agenda and Procedure, namely, Messrs. Asselin, Baldwin, Bourget, Creaghan, Fisher and Garland.

The Clerk of the Committee read the Orders of Reference, as follows:

of Monday, February 6, 1961, whereby the Committee was empowered to print such papers and evidence as may be ordered by it; the quorum of the Committee was reduced from 20 to 10 members; and the Committee was given leave to sit while the House is sitting; and of Thursday, February 16, 1961, whereby Bill C-69 was referred to the Committee.

On motion of Mr. Baldwin, seconded by Mr. MacLean (*Winnipeg North Centre*),

Resolved,—That, pursuant to its Order of Reference of February 6, 1961, the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings in relation to its consideration of Bill C-69.

The Committee proceeded to consider a Public Bill, namely,

Bill C-69,

An Act respecting the construction of a line of railway in the province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a north-westerly direction to a point in the vicinity of Mattagami Lake.

On clause 1

On the invitation of the Chairman, the Minister of Transport spoke briefly of the purpose of the Bill and introduced the officials of the Canadian National Railways.

Mr. Purves made a statement regarding the route the proposed railway line would take and the purpose which it would serve. In the course of so doing he made references to two maps which were displayed before the Committee. Messrs. Purves, Ralston and Taschereau, and also the Minister, answered questions arising from the statement of Mr. Purves.

On clause by clause consideration

Clauses 1 to 5 were severally carried.

On clause 6

Messrs. Purves and Taschereau were questioned; Clause 6 was carried.

Clauses 7 and 8, the Shedule and the Title were severally carried; the Bill was carried without amendment.

Ordered,—That Bill C-69 be reported to the House without amendment.

At 12.25 p.m. the Committee adjourned until 10.30 a.m. on Tuesday, February 21, 1961.

Eric H. Jones,
Clerk of the Committee.

EVIDENCE

MONDAY, February 20, 1961.

10.30 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. The first order of business this morning is one carried over from our organization meeting, and that is for me to name a steering subcommittee in case we happen to need one during our meetings of this session. The members of that steering subcommittee are Messrs. Asselin, Baldwin, Bourget, Creaghan, Fisher and Garland, in addition to myself.

I will now ask the clerk to read the orders of reference of this meeting.

The CLERK OF THE COMMITTEE: Order of Reference dated Monday, February 6, 1961:

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to print such papers and evidence as may be ordered by it, and that Standing order 66 be suspended in relation thereto; that the quorum of the said Committee be reduced from 20 to 10 members, and that Standing Order 65 (1) (b) be suspended in relation thereto; and that the said Committee be given leave to sit while the House is sitting.

Order of Reference dated Wednesday, February 15, 1961: *Ordered*,—That the names of Messrs. Nielsen and Woolliams be substituted for those of Messrs. Crouse and Horner (*Jasper-Edson*) respectively on the Standing Committee on Railways, Canals and Telegraph Lines.

Order of Reference dated Thursday, February 16, 1961:

Ordered,—That Bill C-69, An Act respecting the Construction of a line of railway in the Province of Quebec by Canadian National Railway Company from a point at or near mile 72 of the Kiask Falls Subdivision in a North-westerly direction to a point in the vicinity of Mattagami Lake be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

The CHAIRMAN: Thank you, Mr. Jones.

Now, we require a motion to set the quantity to be printed of our proceedings on this bill. It has been the experience in the past to have 750 copies in English and 250 in French, if that is agreeable.

Mr. BALDWIN: I so move.

Mr. MACLEAN (*Winnipeg North Centre*): Seconded.

The CHAIRMAN: Moved by Mr. Baldwin and seconded by Mr. MacLean (*Winnipeg North Centre*) that, pursuant to its order of reference, the committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in respect of its consideration of Bill C-69.

Now, gentlemen, we have before us this morning the consideration of this bill, as directed by the Order of Reference.

I now call clause 1 of this bill. We have Mr. Balcer, the Minister of Transport, with us this morning and I will ask him to explain the purpose of the bill and to introduce the officials in attendance.

Hon. LEON BALCER (*Minister of Transport*): Thank you very much, Mr. Chairman.

Well, gentlemen, we had quite an interesting discussion in the house on the resolution stage of this bill. Then on second reading it was very interesting

to note that everyone was unanimous. Also we had some very extensive discussion on the development of this new area given by some members who were very well aware of all the advantages of its development.

I have with me this morning three officials of the railway who will be able to give you details on the whole project of the railway line itself. I have on my right Mr. Donald F. Purves who is the Chief of Development of the Canadian National Railways. He is accompanied by Mr. Pierre Taschereau, Q.C., of the legal department of the railway and Mr. K. M. Ralston, who is Commissioner of Development and mining engineer. These three officers are at the disposal of the committee and will be very pleased to answer all questions.

I think, Mr. Chairman, that is about all I have to say, and I want to thank all members for their very constructive contribution during the debate in the house.

Thank you, gentlemen.

The CHAIRMAN: Thank you, Mr. Balcer.

Mr. DUMAS: Mr. Chairman, I understand that this line which is being built between mileage 72 on the branch line from Barraute to Chibougamau to a point in Mattagami, has a total length of 60 miles and I see the line is extended to the Allard river. Is it possible this line may be extended to go to the Allard river, to the new Hosco mine?

Mr. DONALD F. PURVES (*Chief of Development, Canadian National Railways*): You may be referring to the highway (*Pointing to the displayed map*).

Mr. DUMAS: I am referring to that red line there. It seems to be extended right to the Allard river.

Mr. PURVES: I think that is intended to be diagrammatic. It is on a fairly small scale and the draftsman has gone a little beyond. The other map may show it better.

The CHAIRMAN: Can you see on your other map?

Mr. PURVES: It stops a little short.

Mr. DUMAS: And the total length is 60 miles?

Mr. PURVES: About.

Mr. BALDWIN: Mr. Chairman, I wonder—would the officials have any idea of what the controlling grade will be on that line?

Mr. PURVES: I am wondering, Mr. Chairman and members of the committee, how you would like to go about it? I have prepared a statement which will cover a good number of the questions that are likely to be raised.

The CHAIRMAN: Do you have copies of that statement?

Mr. PURVES: No, I am sorry, I have not.

The CHAIRMAN: Is it the wish of the committee to hear the statement from Mr. Purves first?

Mr. BALDWIN: Yes, I think it would be much better. I will withdraw my question then, pending the reading of the statement.

The CHAIRMAN: Probably, if you will just read the statement, Mr. Purves, that will clarify some questions that may be in the minds of the committee.

Mr. PURVES: Mr. Minister, Mr. Chairman and members of the committee; as the minister has indicated, my appointment in the railway is that of Chief of Development and my concern in the railway organization is the development of new industry along the railway's lines. I report direct to the Vice-President, Research and Development. Ordinarily Dr. Solandt would have been here today, but he is away in Europe. However, I am most appreciative of the

opportunity to appear before the committee, and I and my colleagues will do our very best to answer questions you may have to address to us.

It has occurred to me that we might start, if the chairman and the members of the committee approve, with the two maps you see on the easel. I will then proceed with the statement, and then you may wish to ask questions that have not been covered by the statement.

This first mapping indicates the location of the lines with relation to the Canadian National network generally in eastern Canada. You will see the new line in red; our existing lines are in black.

There is Montreal, Sorel, Quebec, and Valleyfield over here at this end, and Arvida, and our net of lines off to the east going down to the United States. The smaller map is on a rather larger scale and deals with the proposed line and the area immediately served by it. You will see here the loop from Senneterre and around to Noranda-Rouyn. The route of the proposed lines takes off from about mile 72 on the Kiask Falls subdivision and proceeds in a generally northwesterly direction towards the west of Mattagami lake. The line traverses country which is generally fairly flat with some relief in parts. The area is underlain by clay. There are few outcrops, few lakes and very little muskeg along the route of the line. In many parts of the area there is fairly thick timber and there are gravel deposits at mileages 15 and 29.

There are two main bridges provided for—one across the Baptiste river at mileage 30 involving a span of 75 feet and two approach spans of 45 feet each, and a bridge over the Bell river at mileage 45, with a length of 900 feet. The total number of trestles involved in the line is 6. Maximum grades are one per cent in a southwesterly direction and 1.2 per cent in a northwesterly direction. The rail used in the line will be 85 pound relay. Construction of the line as a whole will be to normal branch line standard.

The route of the line and the estimated cost to build it have been developed from a detailed location survey on the ground made in the fall of 1960. We put a survey party in and the work was done in complete detail. The engineer's estimate of the actual capital cost—\$8,400,000 or an average of \$140,000 per mile—is about what one would expect from the nature of the ground and at present prices. To this \$8,400,000 estimate of capital cost for the new line, we have added the usual 15 per cent in the authorizing legislation as a contingency. It is expected that clearing and grading and construction of culverts and trestles would be done by contract on tender call made in the usual way. Track-laying, bridging and telegraph line construction would be done by railway forces. The size of the work force employed over the 18 months that we would hope would be required to finish the line would probably average 250. That would go to 350 or 400 as maximum when the work is in full swing.

As indicated, the target for opening the proposed rail line would be about 18 months hence, so assuming we are able to get to work right away, it would be about the fall of 1962 when the line could be opened for service.

The building of this line at this time, as you know, is required to provide railway service to large zinc-copper deposits in the lake Mattagami area owned by Mattagami Lake Mines Limited. This company, a Quebec corporation formed in 1958, is controlled by Noranda Mines Limited, McIntyre Porcupine Mines Limited and Canadian Exploration Limited, which last is a subsidiary of Placer Development Limited.

The lake Mattagami area has been prospected intermittently for many years and small occurrences of copper and gold were found on river banks. However, the rocks of the lake Mattagami area are covered by heavy overburden and it was not until present day airborne electromagnetic equipment and associated techniques were developed and put into use in prospecting that presence in the lake Mattagami area of economic base metal deposits was

established. Of these discoveries, one made in the summer of 1956, on property now owned by Mattagami Lake Mines Limited has aroused greatest interest and proved to be the most important.

Subsequent investigation on the ground following their airborne work extending over some three years and involving an expenditure of substantial sums of money on the part of the mining interests concerned has established presence of ore-grade material in quantities considered by the owners sufficient to warrant their going ahead now with their production program.

A production shaft has now been completed and it is planned to proceed in the Spring of 1961 with construction of a 2,000 tons per day flotation mill. It is expected that the plant will be producing zinc and copper concentrates by the fall of 1962. The scale of production that is envisaged would be 165,000 tons of zinc concentrate and 25,000 tons of copper concentrate.

The copper concentrate would move to Noranda, as indicated on the map, for smelting, and from there the copper anodes would go to the copper refinery at Montreal east. The zinc concentrate would be shipped to a zinc refinery it is planned to build in Quebec province, somewhere on deep water. The precise location of the zinc refinery has not been determined and is still under study.

The amount of the total investment for the mine and for the mill is expected by the company to be of the order of \$20 million and a further \$30 million for the zinc refinery.

It is expected that at the scale of production planned by the company about 400 men would be employed at the mine and mill property at lake Mattagami. Zinc refinery employment probably would amount to another 475 men, and the company expect that within five years time from start of initial production that the townsite nearby would have a population of the order of 5,000. The location of the townsite is planned for about four miles to the east of the mine property on the west bank of the Bell river. The Canadian National Railways will probably put in trackage for a small industrial areas scaled to meet the needs of the community, with some provision for expansion.

We have not yet got out detailed plans of that. This is something that can be started and built to keep pace with demand.

Now, on the question of obtaining direct railway service to the proposed industrial development, Mattagami Lake Mines Limited have been exploring this with us for some time. The question of the freight rates which would apply, volume of traffic which might be expected, timing of construction of the line—these have all had to be worked out, and the discussions and negotiations with the railway working out the appropriate guarantee agreement, and so on, have taken a little time. Meanwhile, they were continuing their exploration. In the spring of 1960 they came to us and told us their studies had proceeded to the point where they were ready to go ahead with their program and wished us then to get on with the detailed ground survey, following a route that had previously been suggested by airborne reconnaissance. This survey was put in hand in August of last year and conducted throughout the fall; it was completed before the freeze-up, and detailed estimates of costs of the line prepared.

Now, in line with our usual practice in studying new branch projects of this nature, we have made an economic assessment of the financial results to the railway of the proposed branch line. Our estimates of tonnage offering, the freight rates which would apply having regard to distance, nature of the traffic, competitive factors have all had to be explored. The conclusion of our economic analysis is that gross revenues accruing from the traffic developed from this operation and the townsite adjoining, would be sufficient to meet all costs of handling such traffic both on the new line and on the existing line which such traffic would be handled over.

It would meet all costs of handling such traffic and the interest on an amortization of new capital investment, and maintenance of new line, and still produce a very satisfactory surplus to apply to existing railway overhead.

As indicated, the data taken into account in our economic analysis of the new branch line project is that relating to the Mattagami Lake Mines development and townsite only. There are, as you well know, several other developments in various stages of investigation at this time. There are mines and in addition to that there are forest industry possibilities. However, these at the present time are still in the various stages of investigation, and we could not properly take them into account in our economic analysis in connection with building this line at this time.

It might reasonably be expected, therefore, that in due course this line built to serve Mattagami Lake Mines will also serve a quite sizable additional amount of traffic arising from the mining and timber resources of the area. In the interests of conservative assessment, however, the economic analysis of the proposed line to Mattagami lake has not taken into account any such traffic.

Where a particular industry is asking for a railway service and the traffic potential on the new branch line depends solely or largely upon the development plans of that particular industry, we require a form of insurance to protect us against the contingency that the industry fails to complete the project as planned. This insurance takes the form of what we call a traffic guarantee which is intended to give the industry a financial interest in maintaining an agreed level of traffic and going ahead with their plans. If the plans and representations of the industry work out in practice, there is no cost to the industry for our service beyond the normal freight charges assessed for the transportation service provided. However, if the industry for any reason falls short of the traffic volume called for, the guarantee becomes operative and the railway is protected to the extent of additional fixed charges which have been incurred in providing the line.

In the present instance, the traffic guarantee arrangement negotiated between the industry and the railway is geared to the movement of zinc concentrate and provides for a stated minimum movement per year for a period of ten years with imposition of a penalty of an agreed amount per ton of deficiency.

We recognize, of course, that there may, during the term of the guarantee, be other developments along a line respecting which one company has in effect guaranteed to the railway its fixed charges on the new line. The traffic guarantee agreement with Mattagami Lake Mines provides for the reduction of any deficiencies by excess concentrate shipments and also for credits to the mining company in equivalent tons of zinc concentrate with respect to freight rates.

In summary, based on the planned Mattagami Lake Mines development alone, the proposed branch line is expected to earn its way and in addition to yield a surplus available for contribution to existing Canadian National overhead. So far as railway traffic and financial results are concerned, therefore, additional industrial developments along or near this branch would constitute a bonus. The project is one which can be recommended without reservation from the railway point of view.

Considerations of increase to Gross National Product and of employment opportunity offering also make this project one to be recommended from the point of view of the larger national interest as a whole.

I think, gentlemen, that the foregoing gives an outline of the development contemplated. There may be technical questions which you may wish to ask us and if the committee and the chairman so wish Mr. Ralston, the Railway's

Mining Engineer and Commissioner of Development is one eminently qualified to answer these technical questions.

Mr. BALDWIN: Mr. Chairman, I wonder if Mr. Purves can tell me if in his economic analysis they took into consideration the long range position so far as these minerals are concerned. I am thinking particularly of zinc and whether they rely mainly on the guarantee which they received from the mining companies concerned about which you have told us.

Mr. PURVES: No, I think it would be an unrealistic attitude to rely entirely on the guarantee, and we have made our own assessment. That is one of the things that Mr. Ralston could perhaps satisfy you on—the prospects of the market and the prospects of this firm as far as development are concerned.

Mr. DUMAS: Perhaps I can ask one particular question. Are you satisfied then from this analysis that the long range prospects as far as zinc are concerned are adequate?

Mr. PURVES: We are.

Mr. FISHER: What is the pulp future of this particular region?

Mr. PURVES: We think it is good, Mr. Fisher, but we could not take it into account in the economic analysis prepared for this line. The line is justified without taking it into account.

Mr. FISHER: Have you got a copy of the agreement between the company and the railway?

Mr. PURVES: The mine and the company?

Mr. FISHER: Yes.

Mr. K. M. RALSTON (*Commissioner of Development and Mining Engineer, Canadian National Railways*): No, we have not the actual final copy here, Mr. Chairman.

Mr. FISHER: Might I ask the chairman whether it is customary to show the members of the committee these agreements?

The CHAIRMAN: I do not know; this is the first time it has come up in my experience.

Mr. FISHER: I think we may be entitled to see it from the point of view that this is the basic guarantee under which parliament is going to approve the money that the taxpayer cannot lose because of this agreement.

The CHAIRMAN: I am informed that it is a confidential agreement. If you want to see it, Mr. Fisher, the officials will let you see that agreement.

Mr. FISHER: I would like to ask what the other members of the committee think on this particular point.

Mr. CHEVRIER: First of all, I think we should be told what is in the agreement. We have been given a general outline of it, but I think we should be given in detail what the agreement contains. I was going to ask that question and follow it up with a question of a statement on the economics of the line—what is the cost on the one hand, what is the expenditure on the other, and what is the operating profit for the first year?

Mr. PURVES: Well, gentlemen, concerning the first—might I take first the question of the traffic carried?

Mr. FISHER: Yes.

Mr. PURVES: Everyone of these guarantees with a private corporation is something negotiated between the private corporation and ourselves, and I am very reluctant to give too much detail of what is negotiated and finally agreed upon without almost a written concurrence of the corporation itself. I think we can indicate the pattern that these take and this is very well known to the members of this committee, I think.

They provide that either a specified tonnage of a particular commodity or a total number of dollars of gross revenue will accrue to the railway and if, for any reason, the traffic does not come up to those expectations, then we can recover this difference at an agreed rate.

The total we are looking for is really our fixed charges, that is, the interest on the new investment and fixed maintenance on the new line. If we can be assured of that, then we are no worse off for having built the line. Meantime, the line is there and when conditions improve, then the traffic will develop. It puts us in rather a difficult position, having negotiated something with a private corporation after a fair amount of bargaining and haggling to then in effect make it public property.

Mr. FISHER: Is not your agreed charge somewhat in the same category, in that it will be enforced for a limited time? Surely you negotiate them too?

Mr. PURVES: We do, but the agreed charges are free to be taken advantage of by any other firm in the industry. This is with one specific firm.

Mr. FISHER: We had an example last year with the Wabush railway when another group came in here to see about using another person's railway line. This brings up the point of what happens to this agreement if another property develops along the line. Does it come to bear part of the responsibility?

Mr. PURVES: Exactly. The guarantee is credited with that increased traffic that has developed as a result of the construction of the line. I think it is only fair. After all, we are not out to collect the penalty. We are out to provide transportation service to an industry and to provide the facilities that will help to develop the country; and if we can negotiate an arrangement with a firm that it will sign sufficient to protect us on our additional fixed charges, then I think we have made a good deal.

Mr. CREAGHAN: Will you tell the committee who the signatories to the agreement are?

Mr. PURVES: This is signed by the Mattagami Lake Mines, by their corporate officers, and by the corporate officers of the Canadian National Railways.

Mr. CREAGHAN: Is there any guarantee from Noranda? I do not think Noranda is a co-signor.

Mr. FISHER: Is Mattagami not in fact the creature of Noranda?

Mr. PURVES: Noranda is one of the principal shareholders.

Mr. FISHER: When you say "principal"—how large?

Mr. RALSTON: Something over one million shares so far.

Mr. CHEVRIER: What percentage is that?

Mr. RALSTON: The capitalization is about six million.

Mr. PASCOE: Mr. Chairman, this is just for my own information. Perhaps it has been brought out, but we have been told that the line will make an operating profit. Does the proposed operation of the line include a regular passenger service at all?

Mr. PURVES: It contemplates a mixed train service similar to what is now being given in that part of the country. In all these things you must provide the service that you see a demand for at the time. However, if the demand grows, then, of course, the service will be increased to take care of the demand. A road is being built up there now; and with the tendency of people to use the highway in their own private cars, it is very hard to assume what the volume of passenger service required will turn out to be.

Mr. PASCOE: There is one more question. You mentioned there will probably be 250 men working on this. Would that be extra men or men who are already employed?

Mr. PURVES: No, this is direct labour.

Mr. PASCOE: Extra men?

Mr. PURVES: Yes.

Mr. CHEVRIER: Mr. Purves, can we not get a more detailed estimate concerning the financial operation of this project? For instance, the minister told us there would be, I think, 1,400,000 tons of concentrates, and then so many thousand tons of zinc and copper. What is the freight rate on that many tons, the estimated revenue that the Canadian National Railways will receive from the movement from those base metals on the one hand, and what is the cost of amortization, the interest, the expenses on the other hand—what is the estimated profit for the line? I think the committee should be given that information, Mr. Purves.

Mr. PURVES: Mr. Chevrier, again the worry is that we are dealing, I suppose, every week or two weeks—there are three of these sizable projects on my desk right now—with individual corporations, and we try to drive, on behalf of the railway and the railway's shareholders, as hard a bargain as we can. Now, the people we are dealing with know their costs. We do not; and it is very difficult for us to come to any kind of an estimate of what their costs must be. They do not know our costs, but so much information concerning transport companies being in the public domain they can sometimes come to some fairly shrewd approximation. Working in such a narrow area of manoeuvrability does not give us too much room, and every bit more of data that they can manage to obtain to piece out and firm up the picture they can form of railway costs, so much the better.

Now, in railway costs, unfortunately a very sizable proportion of the total is indirect, and any businessman in negotiating with a railway and knowing what he is about can drive you down to the direct costs related to that traffic alone and get away with it. If it comes to such an issue, we would be foolish not to accept it. Miserable at it is, it gives us some little contribution to overhead; but it is certainly not taking its fair share and other traffic has to take that share of the indirect costs or the overhead.

It is hard to say how far one could go in letting an industry know what you are going to make out of their development.

Mr. CHEVRIER: Can you not tell us what the gross revenues will be, if you cannot give us a figure for the revenue per ton? Can you give us what the gross revenue for this project will be, what the expenses will be and what the annual profit will be?

Mr. PURVES: It is so much related to one company and the townsites dependent on that company. We took a sizable deflation on the townsites revenue; knowing the competitive rates we are quite sure that local enterprise will manage to pick up a fair amount of that traffic that could be handled over the road. I think Mattagami Mines, having agreed to the program of rates that we have negotiated with them and, having now put that on the dotted line, can come up with a fair approximation just from the gross revenue picture of what the overall profit from our operation must be to the railroad.

Mr. CHEVRIER: Are you saying in effect that you cannot give us this information?

Mr. PURVES: I could give it to you.

Mr. FISHER: He does not want to.

Mr. PURVES: The difficulty is, sir, that it would make it very difficult for us to negotiate with anyone else and to get the kind of treatment that we would like to get from these people when too much information concerning our costs becomes common knowledge.

Mr. CREAGHAN: Do you give this information to the Minister of Finance?

Mr. PURVES: Not to the Minister of Finance, but to the Minister of Transport.

Mr. CHEVRIER: But he gives it to the Minister of Finance.

Mr. PURVES: I do not think the Minister of Finance would get the detailed revenue picture relating to one specific company.

Mr. CHEVRIER: I am not going to insist unduly in this matter, but it seems to me this is one of the questions I asked the minister in the house, and he said I would get the information here. Also it seems to me—and of course I speak from memory—that on previous occasions this information was given to the committee. However, I am not going to press unduly for it if you say you cannot give it.

Mr. PURVES: I think it would make things a little more difficult for us in dealing with industry—quite a bit more difficult. These are very large and powerful; I mean powerful in terms of the traffic they control. If we do not have to let them know these details it does make it easier for us.

Mr. FISHER: Suppose Mattagami goes broke, and Canada is littered with mining enterprises that collapsed and railway lines which did not make their way—suppose the worst happens here, what are we stuck with?

Mr. PURVES: We are stuck with the fixed charges on an expenditure of \$8 or \$9 million.

Mr. FISHER: Thank you.

Mr. PURVES: Six per cent plus whatever fixed maintenance accrues, which is generally about \$2,000 a mile. This is the worst that can happen. This is what they guarantee to protect us against. I think our view of these things always has been that, when the resources are there and, after a reasonable development period, there appears to be a reasonable chance that those resources can be marketed in Canada or in world markets, we, as a railway, particularly the railway that runs across northern Canada and has very much of a development aspect about its location and operations, should be interested in sharing with private industry the risk involved in opening up these resources.

Mr. FISHER: My point is that, if Mattagami Lake Mines does go broke or does not continue to be in operation, you have no prospect really of collecting on this agreement.

Mr. PURVES: The shareholders of this company are rather strong people with a very considerable stake in the economy of the country now.

Mr. FISHER: I think this is part of the reason why you should have had some information for us in detail as to who these shareholders are. This company has all this drive to line this thing up, and yet in respect of the biggest product they are going to produce they do not even know where the refinery is going to be. There are a number of points like that on which I would like more information.

Mr. PURVES: I was careful to say in respect of the refinery “the precise location”. They have a fair idea of where it is going to be. There is a question of land values which can skyrocket in that connection.

Mr. FISHER: Do they get permission from the provincial authorities?

Mr. PURVES: I think they will get that permission.

Mr. FISHER: They have not got that yet?

Mr. PURVES: I have no way of knowing that. I think you can take it that the provincial authorities are just as anxious as we are to see these industrial developments come about.

Mr. FISHER: But we know from last year—and Mr. Chevrier will remember this—that we cannot ever be too sure about the provincial authorities in Quebec!

Mr. CHEVRIER: You can now, I would think.

Mr. FISHER: I have one last question. Does the C.N.R. know it has a guarantee that the refinery will be on its line, and not be on the C.P.R. or some other road?

Mr. PURVES: We know from the disposition of our own lines, and some traffic arrangements we have with these companies, that even if the worst were to happen and the actual refinery did not go on our line, the bulk of the rail haul would be on Canadian National tracks; it has to be.

Mr. FISHER: What is the significance of the "deep water" idea?

Mr. PURVES: This is another one of those things which we are up against in bargaining rates with these people. If I were in industry I would take the same stand. I would make sure I had as many strings to my bow as possible.

Mr. CHEVRIER: If the refinery is on deep water it is a matter for the Federal Government.

Mr. PURVES: It would be.

Mr. FISHER: Certainly in their case the people up our way would like to see a refinery in their own particular region. After all, Noranda was a little hole in the bush when the first refinery went in. What would be the reason for the refinery being down at tidewater rather than at the actual place of origin? Is there no electrical power in the Mattagami area?

Mr. PURVES: It is a question of the best possible compromise on a great many industrial factors. Power is one; transportation costs are another. The matter of an export market is something else, and to what extent, having gone to deep water where you have ocean transport, are you going to be able to use that twelve months a year? They weigh up all these economic factors and come down to two or three locations. Naturally, of course, labour is another factor. In this case the labour factor is not a tremendous one and you can conceive of being able to find the necessary working force almost anywhere they go.

Down on the St. Lawrence river is one area that has been referred to in the press as being a location where a site could be found. There you have your power factor pretty well taken care of. Another location mentioned in the press is the general Arvida-Chicoutimi area—

Mr. FISHER: It has surplus power.

Mr. PURVES: I wonder if it is such a big surplus, Mr. Fisher. I think probably the grid arrangements are sufficiently far advanced in this part of Canada so that particular factors of power will not in themselves take an industry there if other factors are unfavourable or not as favourable as they are somewhere else.

I should mention, too, that the zinc refinery has other products besides zinc and metal, and there is the problem of finding a market for them—sulphuric acid, for instance.

Mr. FISHER: It is not just a question of finding a market for the zinc or copper.

Mr. PURVES: No, it is a question of the refinery itself. There is a very heavy sulphuric acid production associated with a zinc refinery, and you must find a market for that.

Mr. FISHER: Is the refinery going to be a tidy part of the whole operation? Who is going to finance the refinery? It will be more expensive than the mill.

Mr. PURVES: Yes, one will be about \$20 million, and the other \$30 million, and it is supposed to be one operation.

Mr. FISHER: Of the Mattagami?

Mr. PURVES: Yes.

Mr. FISHER: We have an awful lot of zinc going out of our part of the country into the United States. Is there any indication that this refinery is going to come in and is not just going to be a sort of propaganda, and that raw material will still go to the States?

Mr. PURVES: We have never gained any impression that there was any propaganda about it. Every impression we have had is that these people mean business.

Mr. McPHILLIPS: I was going to ask you about the equipment—ore cars, gondola cars, etc. Will the mine supply them, or the railway?

Mr. PURVES: This will be railway equipment.

Mr. McPHILLIPS: Entirely, would it?

Mr. PURVES: Oh, yes.

Mr. McPHILLIPS: Will you have to buy new equipment for that?

Mr. PURVES: I think not. Some of the equipment—we allowed some money in our economic analysis for the financing of equipment but there is nothing special about the equipment that is required. In some industries we would find we would have to buy covered hoppers or for an iron ore or concentrate development you have extra heavy cars, etc. This does not require that. Zinc concentrate ordinarily would move in box cars. Because it is a comparatively short haul, and having in mind the handling factor, the copper concentrate would probably move in gondolas.

Mr. DUMAS: Mr. Purves, it was mentioned to us in the house last week that the revenue accruing to the Canadian National Railways from mining would be approximately \$2 million a year and other revenue would be about \$225,000 a year. Is that about correct?

Mr. PURVES: I didn't realize that that had been mentioned in the house.

Mr. DUMAS: It was.

Mr. BALCER: No.

Mr. DUMAS: Yes, at page 2056, Mr. Balcer was speaking and he said:

The zinc concentrates will be moved by rail to the company's refinery, which will be built somewhere in the Montreal area. The 25,000 tons of copper concentrates a year will be moved by rail to the smelter of Noranda Mines Limited at Noranda, Quebec. It is estimated that the traffic arising from mining projects will total about \$2 million a year and that traffic consisting of general supplies will total about \$225,000 a year.

That is at page 2056 of February 14 in the right-hand column.

Mr. BALCER: Is it a French answer you have there?

Mr. DUMAS: No, this is the English. In French it would be at—

Mr. BALCER: February 14?

Mr. DUMAS: February 14.

Mr. BALCER: On page 2056?

Mr. DUMAS: I do not have the French debates, but this is in English debates of February 14, page 2056, the right-hand column about the 20th line.

Mr. PURVES: Those figures are not wide of the mark. They are a reasonable approximation.

Mr. DUMAS: Now, Mr. Purves, of course the main traffic supplied by the Mattagami Lake Mines to the Canadian National Railways will be concentrates, and you said that this annual traffic will be approximately 165,000 tons of zinc concentrate and 25,000 tons of copper concentrate?

Mr. PURVES: Correct.

Mr. DUMAS: Now, can you tell the committee what will be the average grade of those concentrates for zinc, for instance, or for copper?

Mr. PURVES: Yes, the zinc concentrate is 55 per cent and the copper is 25 per cent, as I recall.

Mr. RALSTON: No, 22 per cent, Mr. Chairman.

Mr. DUMAS: I would like to know if the freight rates vary with the grade of the concentrates. Do they vary?

Mr. RALSTON: Yes, that is true, they do in the case of the copper concentrate. In the case of the zinc concentrate, no.

Mr. DUMAS: What is the minimum traffic guaranteed by the Mattagami Lake Mines Limited? Is it 190,000 tons a year, or 140,000 tons a year? We were told in the house last week that the minimum traffic by the Mattagami Lake Mines Limited would be 1,400,000 tons for ten years. That is an average of 140,000 tons a year.

Mr. PURVES: Yes, Mr. Dumas, this is an illustration of my point that we express these guarantees in some form, sometimes in tons of a particular commodity, the commodity that is moving in greatest volume, or total dollars. In this case it was expressed in terms of tons of zinc concentrate, and if they move that then our fixed charges are covered.

Mr. DUMAS: And if they fail to produce that much per year what would be the penalty to Mattagami Lake Mines Limited?

Mr. PURVES: I am sorry, I did not get the question.

Mr. DUMAS: What would be the penalty to Mattagami Lake Mines if they failed to ship that?

Mr. PURVES: I think \$5.10 was the figure. This is designed purely to protect us on the fixed charges, so that the question of meeting anything over and above the fixed charges then comes out of this difference between 140,000 and 165,000 on zinc and other traffic that would accrue.

Mr. CREAGHAN: After they paid their penalty they would get a credit if they had an overload in a bigger year?

Mr. PURVES: Yes, and if things do go badly and we do have to collect a penalty, then there is a period after that ten years in which, provided things improve, the amount paid to us can be recovered.

Mr. DUMAS: I understand, Mr. Purves, that you said if another mine or other mines produce more traffic this will be calculated to the benefit of Mattagami Lake Mines Limited?

Mr. PURVES: Correct; to the benefit of the penalty. This does not mean that they are going to get anything hauled free or at a reduced rate.

Mr. DUMAS: Oh no, definitely not. Now, is there the possibility, Mr. Purves, that the zinc refinery would be built in the immediate area of lake Mattagami? I know you said something about that a few moments ago.

Mr. PURVES: I really don't know if there is a possibility. The company has always told me that it would be on deep water in the province of Quebec.

Mr. DUMAS: And if the zinc refinery was to be built in the lake Mattagami mining area, or in the Noranda area, for instance, would that have any effect on the amount of traffic to the Canadian National Railways?

Mr. PURVES: Yes, it would increase the amount, because we would expect that there would be a larger townsite there and some satellite operations would tend to grow there. Whatever new development occurred as a result of the increased economic policy, a fair proportion would "brush off" on the transportation company that is providing most of the transportation service.

Mr. DUMAS: I wonder if this is a fair question to ask. Regarding freight rates on zinc anodes, are they much higher than the freight rates on zinc concentrates?

Mr. PURVES: It would be higher, but I do not know how much higher. I think you want something on a ton-mile basis.

Mr. DUMAS: Could I have an approximate figure?

Mr. RALSTON: Mr. Chairman, in answer to Mr. Dumas' question, the distance from Mattagami to Montreal is about 590 miles, and the freight rate—I think you have the mileages there somewhere—is \$8.90 per ton. That is on the concentrate. On the metal from the Arvida area to Montreal, let us say, the freight rate is \$13.60.

Mr. DUMAS: Thank you. Now, another question, Mr. Purves. Was there any mention of this zinc refinery being a custom refinery or will this refinery be only for Mattagami Lake Mines Limited, wherever it will be built?

Mr. RALSTON: The company has always told us, Mr. Chairman, that wherever the zinc refinery is built it will be a custom plant. It will be designed to treat any zinc offered, I suppose, from the western Ontario border eastward.

Mr. DUMAS: Now this would mean a lot to the Canadian National Railways, of course, if the zinc refinery were located in the Mattagami lake mining area, because I presume that if it were the case the concentrates from Waite-Amulet, Noranda and Quémont, would all go through the refinery. This would be the logical thing to do, and then the Canadian National Railways would have the concentrate, the additional metal or the zinc anodes from Montreal to a point on the St. Lawrence seaway for shipment either to the United States or overseas. Does that mean much to the Canadian National Railways? I understand it would mean a lot to the area of northwestern Quebec.

Now, you mentioned something about the by-products. Would it be possible to ship some of the by-products, let us say sulphuric acid, from Arvida through your line from Mattagami lake through Chibougamau to Arvida? Would it be possible to ship that sulphuric acid through that line?

Mr. RALSTON: I do not think the acid would stand the freight rate, Mr. Chairman. You can only ship acid for a comparatively short distance, and for the last 15 years or so, as you probably know, we have had half a dozen zinc projects, and they have always failed on that point—at least that is one of the points. You have to have your refinery fairly close to the consuming point for acid, and that is one of the pillars of a zinc refinery.

Mr. DUMAS: On the other hand, Mr. Ralston, it is known that the mines up in northwestern Quebec and in northern Ontario are consuming a substantial amount of sulphuric acid, and you transport it the other way; so why cannot you transport all the sulphuric acid from the north to the south if you transport it from the south to the north?

Mr. RALSTON: Mr. Chairman, I do not know of any mines which are actually consuming large amounts of sulphuric acid.

Mr. DUMAS: The gold mines consume considerable.

Mr. RALSTON: Very little, I think. They consume a lot of reagents in the total which is exceedingly small in tonnage. Your refinery location must be, I think, a large acid-consuming area with a large industrial complex.

Mr. DUMAS: Would you be able to tell the committee, Mr. Ralston, how many pounds of sulphuric acid will come out of the Mattagami lake mining area?

Mr. RALSTON: I think it is nearly twice as large as the total of zinc.

Mr. DUMAS: But you believe that the zinc concentrate would contain an average of 55 per cent?

Mr. RALSTON: Fifty-five per cent zinc, yes.

Mr. DUMAS: And the balance of the concentrate, amounting to 45 per cent, would consist of—

Mr. RALSTON: Would consist of sulphur and quartz and gangue minerals generally—waste. You start off with an ore which averages about $12\frac{1}{2}$ per cent zinc and you concentrate in the mill to a grade of about 55 per cent.

Mr. DUMAS: Now, there are rumours, Mr. Purves, that maybe a pulp mill will be built in the Mattagami lake area. If that was the case this mill would use a large amount of sulphuric acid or sulphur?

Mr. PURVES: Mr. Chairman, it would depend upon the processes employed, would it not? If it is going to be a newsprint mill, for instance, there is not likely to be much sulphuric acid used.

Mr. FISHER: Is it largely a spruce forest up there?

Mr. RALSTON: Yes, it is predominantly spruce.

The CHAIRMAN: Were you through, Mr. Dumas?

Mr. DUMAS: I may have a few other questions later on.

The CHAIRMAN: Mr. Pitman.

Mr. PITMAN: My concern is that in respect of this zinc refinery, as you said, the line would be constructed within 18 months. It will be in operation within 18 months. What I would like to ask is this: I do not know how you could have a zinc refinery developed within that period of time, and would this affect your first year's operation?

Mr. RALSTON: The company has told us, Mr. Chairman, that even though they have not got their refinery completed by the time the mine and the mill are ready to operate they will proceed to operate and ship out the zinc concentrate to the markets of the world, which is actually being done now.

Mr. DUMAS: However, it is possible to build a zinc refinery in that space of time?

Mr. PURVES: I would like to make that point, that in their timetable they hope to. The reason why we are trying for an 18-month target date, of course, is to be ready or to have the line ready for operation, even if it is not entirely completed, so that the last flush of equipment can go in by rail.

Mr. PITMAN: Can you tell me if there is any target date for the decision on when they will decide between these alternates, where this refinery is going to be? Have they set a certain date when they must know where their refinery is going to be?

Mr. RALSTON: The last word we had from them was that they expected to have a decision some time in March.

Mr. CREAGHAN: I was wondering to what extent the Canadian National Railways is ready to call for tenders in the clearing and grubbing of the railway. When can you start—after this bill is approved?

Mr. PURVES: Mr. Chairman, in response to the question, in order to have as little delay as possible, just before Christmas we advertised tender calls and on the top of the call we took care to put the following:

Persons responding to the following invitation to tender are hereby notified that the acceptance of any tender and/or the award of any contract is fully contingent upon the passage by parliament of legislation conferring authority to proceed with the project.

So the tender calls have gone out and the responses to these calls are back. I would think that once parliament has approved this legislation the work of examining the tenders and completing the formalities regarding the letting of contracts would be done quite quickly.

MR. CREAGHAN: The tenders have all been received and the deadline is now up?

MR. PURVES: The deadline is now up, and the tenders are sitting awaiting such time as parliament is prepared to approve the project.

MR. CREAGHAN: What date was the deadline?

MR. PURVES: January 23, 12.30 noon.

MR. CREAGHAN: In other words, you might start on March 1 if this bill were passed?

MR. PURVES: I would think so. I think that would be reasonable. We could get going quite quickly once parliament has approved it.

MR. CREAGHAN: One other question, perhaps directed to Mr. Taschereau, your legal officer. How does the Canadian National Railways get title to its right of way in this wilderness country?

MR. PIERRE TASCHEREAU (*Solicitor, Canadian National Railways*): I am not aware of any particular deal having been made with the province of Quebec in respect of this line, but we have always managed with the government of the province by some arrangement whereby we file an expropriation plan which indicates the boundaries of the land we require, and this is filed with the province of Quebec, by consent.

MR. CREAGHAN: Has that been done in this case?

MR. TASCHEREAU: No, it has not been done. It cannot be done before the passage of the bill, of course.

MR. CREAGHAN: Do you invariably get the land for a nominal charge?

MR. TASCHEREAU: I believe that we do pay the province of Quebec on the basis of—

MR. PURVES: On the basis of stumpage on the right of way.

MR. CREAGHAN: And do you end up with a deed from the province?

MR. TASCHEREAU: Yes, I believe we do. We have done that with the Chibougamau line.

MR. FISHER: I would like to ask Mr. Balcer some questions before I go. What negotiations have you had with the Quebec government in relation to this whole project, and especially from the point of view that Mr. Dumas seems to be bringing up, and that is the question of orienting some of the established development in the Abitibi area rather than having it splitting off and developing in centres which already have it?

MR. BALCER: I have not approached the Quebec government at all.

MR. FISHER: This is a leading question: Could you concede the value of such an integrated development in the area itself?

MR. BALCER: I imagine so. It is purely a matter of opinion you are asking for. There is no doubt about it, there are many communities in the province of Quebec which would be extremely interested in getting a smelter of this type. On the other hand, our government is extremely interested in the development of the north, and as far as my department is concerned you can be assured we would not put any roadblocks in the way of development of this type.

MR. FISHER: But we come to the point—your government is going to introduce the national productivity council. You have the legislation that is going to give certain tax advantages to certain areas where, in order to build

up development, as I understand it, you enhance the chances. Your government has given no consideration at all—or has it—to seeing that this area has an opportunity as a place where you can integrate much more than just the primary developments right through to the smelter and refinery and build up the whole routine?

Mr. BALCER: At the present time I can tell you that we have not made any precise decisions of this type. I can see your point. It may be a very interesting point to be discussed by the productivity council, and I would not be surprised if they would be interested in this following the general direction and the policy of our government to develop the north, as I said earlier; but personally, as Minister of Transport, I have not done anything in that direction in this case.

Mr. FISHER: If I could just make a point, Mr. Chairman. I come from an area that has lots of iron ore, lots of zinc and copper being produced, and yet it is all in the raw state in which it goes forth. That, according to your government's policy, was one of the things you were going to attempt to check and change. I would like to express here in the committee—and I know Mr. Dumas probably feels the same way, as he represents a resources area—that what you need so much is more than just a primary thing; you need the second and third stages.

Mr. BALCER: Yes, even if it is in the Montreal area, or the Arvida area, or the Chicoutimi area, you have these same results. I mean, you are still trading your raw material into the second stage in Canada.

Mr. FISHER: I agree. But what you are not doing is to build up a kind of community in the north which has wide ramifications, and broader complexity, because you do not have that all-round kind of community.

Mr. BALCER: We have not run into that problem at all.

Mr. FISHER: What consideration have the Canadian National Railways given in their negotiation with the companies to encourage them to place their smelter or refinery, let us say, in the Abitibi region?

Mr. RALSTON: They considered various locations for the refinery. One of them was actually in the Mattagami area. But the one important thing is the matter of economics. These products have to compete in the markets of the world. There is no shortage of zinc. The economics indicated that the place to locate the refinery was somewhere in the province on deep water.

Mr. FISHER: What about a smelter?

Mr. RALSTON: There is no smelter needed to process zinc.

Mr. FISHER: I know, but I was thinking about copper.

Mr. RALSTON: The copper goes to Noranda. There is a smelter there already.

Mr. FISHER: Has any consideration been given to building a smelter in the area itself?

Mr. RALSTON: Copper forms only .7 per cent of their ore; that is, production would be about 6,000 tons of copper metal per year. A smelter so small as to produce that amount of copper simply would not be economical.

Mr. FISHER: Would you say that the rate structure which you have set up was based more on the cost of service principle, or on the value of service principle?

Mr. PURVES: It is based on the cost of service principle. We are getting down to the point of having rates for these primary commodities where there will not be anything else. It is your cost of service, and to some little extent the direct cost of service. They are not paying their fair share of the indirect costs. That could be the floor to pull the whole thing down.

Mr. FISHER: Is there any indication that the provincial government, which is actually in charge of resources in so far as jurisdiction is concerned, has any interest, or any say as to where the refinery may go?

Mr. RALSTON: We have had absolutely no evidence of that. It is purely a matter of economics, so far as we know.

Mr. FISHER: You say it is purely a matter of economics so far as the company is concerned. Are you suggesting it is the same, so far as the government is concerned?

Mr. RALSTON: I do not know. I cannot speak for the government.

Mr. McFARLANE: I would like to ask a question of Mr. Purves. It is on a technical matter and if he cannot answer it, then it will be all right. But if my understanding is correct, this line will be constructed of 85 pound steel.

Mr. PURVES: That is correct. That is the normal track for branch lines and the volume of traffic envisaged.

Mr. McFARLANE: In view of the heavy traffic you anticipate coming over this line, do you not think it would be more advisable to put in heavier steel at the time of construction?

Mr. PURVES: I do not think that this is light weight. However, if the volume of traffic does develop, and if the requirements of wear are such that it is economic to put in heavier steel, we would only be too delighted to do so.

Mr. CHEVRIER: Mr. Chairman, referring to a question asked of the minister a while ago in connection with the location of a smelter, I would like to ask this question: Do you, Mr. Minister, consider it to be your duty, or your responsibility, to advise either the railway, the crown corporation of the mining corporation in this case as to the location of its smelter or its refinery?

Mr. BALCER: Well, I would not like to say that it is government policy to direct a private enterprise venture; but I can assure the committee that the government is ready to encourage industry and to enlist their support in enterprises in areas where there could be some real and special interest in so far as the development of the country is concerned.

But in this case, personally, I think it is a fairly well balanced enterprise to have this mining done in a brand new area where they will have a new railroad, and then to have a refinery in a large center of population where there could be surplus labour at the present time. I mean that in this case we have not directed the company to build in one area rather than in another.

Mr. CHEVRIER: Would you have considered it to be your duty or your responsibility to do so?

Mr. BALCER: Oh well, if there were a particular reason to act in such a manner, we would certainly do it.

Mr. CHEVRIER: When the Canadian National Railways brought the matter to your attention and indicated that a refinery or smelter would be built on tide water—

Mr. BALCER: Yes.

Mr. CHEVRIER: —you did not think it was advisable to suggest any change in that recommendation?

Mr. BALCER: No, no.

Mr. CHEVRIER: May I now go on to another matter with Mr. Purves, and it is this: According to the bill the cost of the line per mile is \$140,000. How does that compare with the cost of construction of the line in the vicinity of that one, namely, the line from Barraute to Kiask Falls?

Mr. PURVES: Mr. Chairman, part of the Barraute to Kiask Falls line—that is from Barraute to Beattyville section, was built in the 1940's, and the actual cost averaged \$79,000. From Beattyville to Chibougamau the average cost was \$113,400; and from St. Felicien to Cache Lake, the average cost worked out to \$124,800.

Mr. CHEVRIER: How does the cost per mile as indicated in the schedules of the bill, and the former branch lines compare with the actual cost?

Mr. PURVES: I have not worked it out, but I could do so in a few moments. I do not have the figures that were in the appendices to the former branch bill.

Mr. CHEVRIER: While you are looking it up, first of all, how much will the \$140,000 be exceeded—not in comparison with how much however, because the cost per mile has been exceeded in the Chibougamau or Kiask Falls areas. And while it is being done, may I ask another question? Was a survey made of the natural resources in the area of Mattagami Lake by the Canadian National Railways?

Mr. PURVES: Yes, we made a fairly quick glance at what other mineral resources seemed to be coming up. We also took a look at what timber resources are in the area.

It was not necessary to make a very detailed examination of them because there was still a lot of work going on, and also the one operation, the Mattagami Lake Mines operation, in itself justified construction of the line.

Mr. CHEVRIER: Did you look at other natural resources which might be moved in this location? For instance, is there a possibility of timber moving?

Mr. PURVES: Oh yes, sir, naturally. We think there is more than a possibility of that, but we were reluctant to go into the thing too much. We knew there were confidential negotiations going on with the Quebec government concerning the exploitation of some of that timber, and we did not have to take that traffic into account to justify the present line. We also know approximately where in order to tap that timber we would have to build any extensions to this present line.

The CHAIRMAN: Are you finished, Mr. Chevrier?

Mr. CHEVRIER: Yes.

Mr. DUMAS: I think my question should be directed to Mr. Ralston. Coming back to the possibility of the zinc refinery being located in the Mattagami lake area, if you look at the metal content of the ore at Mattagami lake in volume and value concerned, the most important one would be zinc and the other one would most likely be sulphur which could be taken out of the iron pyrite and the magnetite, and the third one would be copper. The copper concentrate has to be transported to the Noranda refinery because it is the closest, and it is the most logical place to transport that concentrate. Now, the zinc concentrate could be either transformed or refined on the spot, or, as you said, along the St. Lawrence. But if it was refined on the spot there is this question of by-products, the most important being sulphur. Could the iron sulphide in the form of concentrate be transported economically to Arvida, for instance, where they consume quite a lot of sulphur and through that line up by Chibougamau and St. Felicien? Can it be transported there economically?

Mr. RALSTON: I do not know precisely, but iron sulphide or pyrite is a very low grade product. We have a great deal of it in this country and it is very difficult to sell. Even if you get the pyrite or iron sulphide, you have to do a lot of other things with it and spend a lot of money on it. It is a question whether it would actually be economical. If it were economical, I should think

others would be doing it. I mean in the whole of the Chibougamau area, Campbell Chibougamau, Opemisca, and Merrill Island, all have pyrite which they are wasting. They are much closer to the lake St. John area, of course, than this area, so I would conclude that the answer to Mr. Dumas' question is probably, no.

Mr. DUMAS: In the circumstances, Mr. Ralston, would you be ready to say that the construction of a zinc refinery in the Mattagami lake area is not economical?

Mr. RALSTON: Mr. Chairman, as I said, zinc is a very low grade product; at least it is a very low priced product, and we have to compete in the markets of the world. Actually, Europe is consuming more zinc than we are on the North American continent. They get theirs very cheaply and that is the competition we are up against. Every cent we can save on a pound of zinc is absolutely vital.

Mr. BALCER: Do you know, Mr. Ralston, if the provincial government has made any representations to the company for the location of the refinery?

Mr. RALSTON: I have no knowledge of that, Mr. Minister.

Mr. BALCER: Thank you.

The CHAIRMAN: Any further questions, gentlemen?

Mr. DUMAS: Yes, Mr. Chairman. I wonder if Mr. Purves could tell us how many tenders were received from construction companies on the construction of this branch?

Mr. PURVES: Mr. Chairman, I am sorry I do not know.

Mr. DUMAS: You do not know how many tenders were received?

Mr. PURVES: No, this is an engineering department matter and my sole concern is the development of new industry. This is a very routine proposition of advertising for tenders.

Mr. DUMAS: You mean to say there are no people from the Canadian National Railways here able to tell us how many tenders were received on January 23, about four weeks ago?

Mr. PURVES: No, we do not know; but we can find out for you.

Mr. CHEVRIER: I think you should.

Mr. PURVES: It is not that I am not interested: I am.

Mr. DUMAS: I think I should ask you this question: We are told from reliable sources that tenders have been received,—I do not know how many,—and some of the tenderers were returned their deposits. I understand those with the highest tenders were returned and the deposits of a certain number of tenderers were returned; so that actually three or four are left in the hands of the Canadian National Railways. The Canadian National Railways will decide, immediately after passing of this bill, what is the logical thing to happen.

Mr. PURVES: Mr. Chairman, I can check that for you and ascertain what the facts are, but this kind of thing is just one reason why I do not ask for this type of information. This is a matter of administration of the railway, and the letting of tenders for work is the responsibility of a specialized group. It is their job. We can find this out for you and let you know immediately after the meeting.

Mr. McPHILLIPS: The tenders were only for clearing, grubbing and grading anyway, were they not?

Mr. PURVES: Correct.

Mr. DUMAS: Mr. Purves, you said previously quite a number of times that, if the zinc refinery is going to be built on the St. Lawrence seaway, you do not know the exact location; but I presume you must know pretty well where the

zinc refinery goes, because it is quite important for the Canadian National Railways. This will be your terminal and it is quite important. You will probably have to spend a large amount of money to arrange for that terminal. Is it in the vicinity of Montreal, Three Rivers or Quebec?

Mr. PURVES: Mr. Chairman, I do know where the possibilities are. I was reminded by the industry that this was confidential industrial information. They told me of this, which I did not have to be reminded of, that it is a question of land values. I cannot even tell you that the sites are restricted to the St. Lawrence.

Mr. DUMAS: Closer to Montreal?

Mr. PURVES: I cannot even tell you that, sir. I do know that a large number of sites fairly dispersed are still under examination, and that they will have to make a decision some time in March. We have satisfied ourselves as to how we would serve any of them; and so far as estimating the revenues that would accrue to us is concerned, we have taken the worst case. We had to take the worst case.

Mr. DUMAS: Is it possible, Mr. Purves, that this refinery would be larger than 250 tons a day? Is it possible that it might be built up not only by Mattagami Lake Mining Company Limited, but by Mattagami Lake Mines Limited and some other mines such as Orchan Mines Limited?

Mr. PURVES: Mr. Chairman, I think all I can say in reply to that question is that in matters of this nature anything is possible. I am dealing with industrial interests every week. One of the things we have earned a name for is that, in dealing with these industrial groups, anything that is confidential information within their own company is treated in confidence. I quite agree this is a problem, and the best I can say is that I have accepted their assurances that out of the several sites they have looked at or examined, they are not all on the St. Lawrence. It will probably be some time in March before they make a decision.

Mr. HORNER (*Acadia*): Just along that line I thought you suggested they had given several sites. They may not all be along the St. Lawrence. Are they along the Canadian National Railways or have they given you that guarantee in their agreement?

Mr. PURVES: Mr. Chairman, in reply to the question, they can all be reached fairly readily from the Canadian National Railways.

Mr. DUMAS: And the question of the location of the zinc refinery and the capacity of same is very important to the Canadian National Railways, of course. If a zinc refinery with a capacity of 400 tons a day were to be built the better it would be for the Canadian National Railways and the better for the community where it would be located; and the possibilities are that this refinery will have a higher capacity than 250 tons a day, is that right?

Mr. RALSTON: Mr. Chairman, it has recently been announced in the public press that Orchan Mines has every intention of joining in this refinery. If they do, then in that case, at 1,000 tons a day of Orchan ore with $12\frac{1}{2}$ per cent zinc, the zinc metal production of Mattagami Lake and Orchan Mines would be something of the order of 120,000 to 125,000 tons per year.

Mr. DUMAS: You mean for Orchan Mines?

Mr. RALSTON: No, Mattagami Lake Mines and Orchan Mines, of which Mattagami Lake Mines would be approximately 75,000 or 80,000 tons of zinc metal.

Mr. DUMAS: And there are possibilities of other companies having their concentrates refined at this refinery?

Mr. RALSTON: Oh, indeed.

The CHAIRMAN: Any other questions, gentlemen?

Clauses 1 to 5 agreed to.

On clause 6—

Mr. CREAGHAN: On clause 6, Mr. Chairman, I was wondering—I presume the Department of Justice would not put in a clause setting forth that the mining companies would give a guarantee without spelling out the detail of the guarantee. The legislation contemplates, from our discussions this morning, that there will be a guarantee and if there is nothing in the bill itself that makes it mandatory for the railway company to get a guarantee, I was wondering when the line was built in New Brunswick or this other line in Quebec in recent years, did the bill in question have a clause setting forth that the railway company would obtain a guarantee?

Mr. TASCHEREAU: If I may answer this, sir, clause 6 deals not with the traffic guarantee, but the guarantee by the government on bonds that might be issued by the Canadian National Railways to finance this project.

Mr. CREAGHAN: I realize that, but would it not be proper for parliament in its wisdom to also have a clause setting forth under the heading of "guarantee" that the railway will obtain a guarantee from the mining company concerned? The legislation contemplates that the line will be built and that the railway will obtain a guarantee. I was wondering what happened in the event that guarantees were demanded by the railway company.

Mr. TASCHEREAU: If I may answer, not from the point of view of policy, but from the point of view of actual fact. I do not recall any branch line bill having contained a stipulation to the effect that a traffic guarantee should be furnished by an industry.

Mr. CREAGHAN: One other question before I leave the point—on what authority does the Canadian National Railways insist on a guarantee? Is it an actual policy of the board of directors? There must be some reason for it. Personally I am opposed to guarantees. I think it is an obligation of the railways to build a line when they feel it is an actual sound investment. Perhaps by insisting on guarantees, you are holding up the development of the north.

Mr. PURVES: Can I answer that, Mr. Chairman?

The CHAIRMAN: Certainly, Mr. Purves.

Mr. PURVES: I would suggest that this is just good business practice.

Mr. HORNER (*Acadia*): If you can get it!

Mr. PURVES: And it, of course, is a first class screen for projects of very marginal economic utility. If the industry means business sufficiently to sign a guarantee with the railroad that will protect the railroad on its fixed charges at least on their investment they have put into this thing, I think the railway would be derelict in its duty not to require such a guarantee.

Mr. CREAGHAN: Do you not feel that parliament, which has the responsibility of meeting the railway deficit, should also have the responsibility if they approve of a guarantee to put it into the bill itself? We spent most of the morning discussing the secret clauses of the guarantee. Surely it should be statutory to have one if you insist on having one.

Mr. PURVES: Well, Mr. Chairman, we have built railways without such traffic guarantees where there have been a number of industries involved and where there has been quite general development and no one particular industry pressing to have the line constructed.

There, I agree, we take rather more of a chance than we do in this particular instance; but I do think where an industry is prepared to sign a guarantee, then any businessman would say: "Let us protect ourselves as much as we can".

Mr. CREAGHAN: I approve of what you have done, Mr. Purves. I am just asking the question on procedure of Mr. Taschereau as to whether or not it would be good legislation to have a clause covering the guarantee?

Mr. TASCHEREAU: Well, what you would be providing for is for something that has already been done.

Mr. CREAGHAN: It has not been signed, according to Mr. Purves.

Mr. PURVES: Oh yes, it has been signed.

Mr. CREAGHAN: I understood the agreement was just in draft form.

Mr. PURVES: No, it has been signed. We do not have it with us, that is all; but it has been signed, sealed, and is in our safe.

Clause 6 agreed to.

Clauses 7 and 8 agreed to.

The CHAIRMAN: Shall the schedule carry?

Mr. DUMAS: Before the schedule carries, Mr. Purves, will you get me this information regarding the number of tenders, or have you it now?

Mr. PURVES: I will be able to get it by telephone. I will phone Montreal and get it for you.

Mr. BALCER: I will relay it to you, Mr. Dumas.

The CHAIRMAN: Shall the schedule carry?

Schedule agreed to.

The CHAIRMAN: Shall the title carry?

Title agreed to.

The CHAIRMAN: Shall the bill carry without amendment?

Carried.

Shall I report the bill without amendment?

Agreed to.

Mr. PURVES: Gentlemen, I just want to express my appreciation for the privilege of addressing the committee. I would like to thank you for the hearing you have given me and the courteous attention you have given to us in our effort to assist you.

The CHAIRMAN: Thank you very much.

Mr. DUMAS: I wish to reciprocate. I think Mr. Purves and Mr. Ralston have been very good to us, and they have answered all the questions except those which were very secret, but we hold no grudge against them.

The CHAIRMAN: We have another meeting tomorrow morning at 10.30 a.m. respecting an act to incorporate the Aurora Pipe Line Company.

A motion to adjourn is in order.

HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

TUESDAY, FEBRUARY 21, 1961

Respecting
Bill S-2, An Act to incorporate Aurora Pipe Line Company.
Including Third Report to the House

WITNESSES:

Mr. K. H. Burgis, Vice-President, Hudson's Bay Oil and Gas Company
Limited; Mr. C. A. Cathers, M.P.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: Martial Asselin, Esq.

and Messrs.

Allmark	Dumas	McPhillips
Badanai	Garland	Michaud
Baldwin	Grills	Monteith (<i>Verdun</i>)
Bell (<i>Saint John-Albert</i>)	Hardie	Nielsen
Bourbonnais	Horner (<i>Acadia</i>)	Pascoe
Bourget	Howard	Payne
Bourque	Johnson	Phillips
Brassard (<i>Chicoutimi</i>)	Keays	Pigeon
Brassard (<i>Lapointe</i>)	Kennedy	Rapp
Browne (<i>Vancouver-Kingsway</i>)	Lessard	Rogers
Bruchesi	MacInnis	Rynard
Cadieu	MacLean (<i>Winnipeg-North Centre</i>)	Smith (<i>Calgary South</i>)
Campbell (<i>Stormont</i>)	Martin (<i>Essex East</i>)	Smith (<i>Lincoln</i>)
Campeau	Martini	Smith (<i>Simcoe North</i>)
Chevrier	McBain	Thompson
Chown	McDonald	Tucker
Creaghan	McFarlane	Valade
Denis	McGee	Winch
Drysdale	McGregor	Woolliams
		Wratten—60.

Eric H. Jones,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,
MONDAY, February 13, 1961.

Ordered,—That Bill S-2, An Act to incorporate Aurora Pipe Line Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

MONDAY, February 20, 1961.

Ordered,—That the names of Messrs. Winch and Howard be substituted for those of Messrs. Fisher and Pitman respectively on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON-J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

WEDNESDAY, February 22, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

THIRD REPORT

Your Committee has considered Bill S-2, An Act to incorporate Aurora Pipe Line Company, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence respecting the said Bill is appended.

Respectfully submitted,

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, February 21, 1961.

(3)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. this day, the Chairman, Mr. W. M. Howe, presiding.

Members present: Messrs. Asselin, Chown, Creaghan, Dumas, Horner (*Acadia*), Howard, Howe, Keays, MacLean (*Winnipeg North Centre*), Martini, McDonald, McFarlane, McGregor, McPhillips, Monteith (*Verdun*), Nielsen, Pascoe, Rapp, Smith (*Calgary South*), Winch, and Woolliams. (21)

In attendance: Mr. D. Gordon Blair, Registered Parliamentary Agent; and of *Hudson's Bay Oil and Gas Company Limited:* Messrs. K. H. Burgis, Vice-President; D. C. Jones, Vice-President; L. B. Bannicke, General Counsel; and K. W. Lloyd, Assistant Manager, Pipe Line Department.

In accordance with normal practice in the Committee's consideration of a private bill, the proceedings of the meeting were not initially recorded verbatim.

The Clerk of the Committee read the Order of Reference dated February 13, 1961, whereby Bill S-2 was referred to the Committee.

The Committee proceeded to consider the said Private Bill, namely, *Bill S-2, An Act to incorporate Aurora Pipe Line Company.*

Mr. Cathers, M.P., not being a member of the Committee, asked leave to address the Committee at a later stage in its proceedings.

On motion of Mr. Smith (*Calgary South*), seconded by Mr. McDonald, *Resolved*,—That Mr. Cathers later be heard and that he be subject of questioning thereafter.

Mr. Woolliams, the Sponsor, introduced the Parliamentary Agent, Mr. D. Gordon Blair, who in turn introduced the four officials of Hudson's Bay Oil and Gas Company Limited who were in attendance.

Mr. Burgis then explained the purpose of the bill, using a map displayed before the Committee in the course of so doing. He was questioned.

Mr. Cathers then addressed the Committee regarding Bill S-2. He stated that he has a financial interest in Pembina Pipe Line Ltd. which control Foothills Pipe Lines Ltd. with which Aurora Pipe Line Company will compete in the event that that Company is incorporated. He gave his opinion that the needs in that field are being amply met by the existing Company. He was questioned on his statement.

It having come to the notice of certain Members that no shorthand writer was present, on motion of Mr. Nielsen, seconded by Mr. Howard,

Resolved,—That the further proceedings of this Committee on its consideration of Bill S-2 be recorded and printed.

On motion of Mr. Winch, seconded by Mr. Asselin,

Resolved,—That, pursuant to its Order of Reference of February 6, 1961, the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in relation to its consideration of Bill S-2 from this point on.

At 11.20 a.m. the Committee recessed until 11.30 a.m. while the attendance of a shorthand writer was being arranged.

The Committee agreed that the opening statement by Mr. Burgis be printed in the proceedings of this day.

The questioning of Mr. Cathers and Mr. Burgis was continued. During the said questioning, Mr. Winch tabled a letter dated January 10, 1961, from Pembina Pipe Line Ltd. to himself. He read certain portions of the said letter. The Committee agreed that the letter be printed in its proceedings of this day. (*See Appendix "A" hereto.*)

Further during the said questioning, it was moved by Mr. Creaghan, seconded by Hon. Mr. McGregor,

That before clause-by-clause consideration of Bill S-2 the Committee adjourn for a period of at least one week to give interested parties the privilege of appearing before the Committee at the adjourned meeting.

The said motion was negatived on the following division: YEAS, 5; NAYS, 8.

On Clause by Clause consideration

The Preamble and Clauses 1 to 5 were severally carried on division.

On Clause 6

Mr. Burgis was further questioned. Clause 6 was carried on division.

Clauses 7 to 11 and the Title were severally carried on division; the Bill carried without amendment on division.

Ordered,—That Bill S-2 be reported to the House without amendment.

At 12.25 p.m. the Committee adjourned to the call of the Chair.

Eric H. Jones,
Clerk of the Committee.

EVIDENCE

(commencing at 11.30 a.m.)

TUESDAY, February 21, 1961.
(11.30 a.m.)

(NOTE: *The Committee commenced its sitting at 10.30 a.m. this day, to consider Bill S-2, a private bill. In accordance with normal practice the proceedings of the Committee on this private bill were not recorded verbatim. However, at 11.20 a.m. this day the Committee resolved that its further proceedings of its consideration of the said bill be recorded and printed. Thereafter its proceedings were recorded as set out below.*)

The CHAIRMAN: Gentlemen, we will proceed.

Mr. SMITH (*Calgary South*): In the interest of time I am wondering if we could take the opening statement as read. No doubt Mr. Burgis would let us have a copy and it could be incorporated as part of the evidence.

The CHAIRMAN: I was wondering about that. Is it agreed that the statement by Mr. Burgis, on opening, be incorporated and printed as a part of the proceedings of the committee of this day?

Agreed.

(NOTE: *The opening remarks of Mr. K. H. Burgis, Vice-President Hudson's Bay Oil and Gas Company Limited, were as follows:*)

Mr. K. H. BURGIS, (*Vice-President, Hudson's Bay Oil and Gas Company Limited*): Mr. Chairman and gentlemen,

The application for incorporation of Aurora Pipe Line Company is being sponsored by Hudson's Bay Oil and Gas Company Limited. Hudson's Bay Oil and Gas Company Limited was incorporated under the laws of Canada in 1926 and its shares are listed on the Toronto Stock Exchange. Approximately 10 per cent of its outstanding shares are owned by some 12,000 public shareholders, 22 per cent by the Hudson's Bay Company and 68 per cent by Continental Oil Company. Despite the disparity in shareholdings of Hudson's Bay Company and Continental Oil Company, each have by agreement equal voting rights and equal representation on the board of directors. The present board of directors consists of 3 Canadian directors representing the Hudson's Bay Company, 3 American directors representing Continental Oil Company, 2 Canadian directors representing the public shareholders and 2 senior officers of the company.

While we are not seeking parliament's approval for any pipe line project, we understand it has been the practice when applying for incorporation of a special act company to provide parliament with particulars of any immediate projects planned for the company. As a result, we have given particulars of the application which Hudson's Bay Oil and Gas Company Limited is currently processing before the Alberta oil and gas conservation board to construct a pipe line to move condensate from fields in the Southwestern corner of Alberta to the Alberta/Montana border. If the project is approved by the Alberta oil and gas conservation board, application will be made to the national energy board for the movement across the border by Aurora Pipe Line Company.

The pipe line project currently being proposed by Hudson's Bay Oil and Gas Company Limited is designed to assist in meeting the severe marketing problems that are facing the producing segment of the petroleum industry in western Canada. I am sure all of you gentlemen are fully aware that at the present time production of crude oil in western Canada is being held back to less than 50 per cent of capacity through lack of adequate markets. This situation will be further aggravated by the large volumes of condensate which will be produced as natural gas production is enlarged to meet the recently approved exports of that product to the United States. While technically condensate is a mixture of various hydrocarbons, it is in essence a high gravity crude oil which can be utilized as an alternative to normal crude oil for refinery feed stock. It is sold in the same market and under the same conditions as crude oil and thus, will represent a further addition to the present surplus in western Canada. Accordingly, the major problem facing the industry is to find new markets which will add to the overall demand for crude oil and condensate. As a result of the new national oil policy, growth in Canadian use of crude oil and condensate can be anticipated but if the production targets set by the government are to be reached, a major part of the increased demand must come from enlarged exports to the United States. However, with United States crude oil producers also operating at less than capacity, any increase in exports to that country from Canada will undoubtedly meet severe opposition unless they can be directed to areas of the United States which are presently served by foreign crude oil or to widely dispersed markets where they will not have any substantial or concentrated impact on United States domestic production.

As one of the major producers of crude oil and condensate in western Canada, our company is vitally concerned with the problem of finding adequate markets at fair prices for these products and has had this matter under constant study. Our United States affiliate, Continental Oil Company, is currently providing a market at Wrenshall, Minnesota, for 10,000 barrels per day of crude oil produced in western Canada and has also agreed to provide a new market in the Rocky Mountain and adjacent areas of the Mid-Western United States for at least 10,000 barrels per day of Alberta condensate. This firm offer of a new export market for Alberta condensate meets the requirements outlined above of putting Canadian production into widely dispersed U.S. markets to avoid any substantial conflict with U.S. domestic producers.

Only a relatively modest amount of new pipe line facilities will have to be constructed to reach these new markets offered by Continental Oil Company. On the United States side of the border Continental, through its pipe line subsidiary, is already constructing a crude oil line from Cutbank, Montana to tie in with the existing major network of inter-connecting crude oil lines in the Rocky Mountain and Mid-Western areas of the United States. If the necessary approval is obtained to construct the pipe line facilities proposed by Hudson's Bay Oil and Gas Company Limited, Continental Oil Company will extend its new line from Cutbank to the Alberta/Montana border.

On the Canadian side of the border, Hudson's Bay Oil and Gas Company Limited proposes to build 41 miles of line at an estimated cost of \$1,600,000.00 to move condensate from the Pincher Creek, Watertown and Lookout Butte fields south to the U.S. border. The trans-border link consisting of only $\frac{1}{2}$ mile of line would be built by Aurora Pipe Line Company at an estimated cost of \$15,000.00.

Mr. NIELSEN: I think Mr. Cathers should speak again to the matter.

The CHAIRMAN: Mr. Nielsen, we have a reporter here, and I believe your motion was that we print the proceedings. I am referring to your original motion.

Mr. NIELSEN: Yes, that the proceedings be reported. My motion was that the proceedings of the committee do not go forward until a shorthand writer is available.

The CHAIRMAN: Would you like to include in that motion that all proceedings in this committee in connection with private bills during this session be reported.

Some hon. MEMBERS: No, no.

Mr. NIELSEN: No. This is only in respect of the matter before the committee now.

The CHAIRMAN: Very well. We have the motion, seconded by Mr. Howard. Motion agreed to.

The CHAIRMAN: We will now require a motion with regard to the quantity of printing. It is customary to have 750 copies in English and 250 copies in French.

Do I understand that it is moved by Mr. Winch, seconded by Mr. Asselin that pursuant to its order of reference of February 6, 1961, the committee print 750 copies in English and 250 copies in French of its minutes of proceedings and evidence in relation to its consideration of bill S-2?

Motion agreed to.

The CHAIRMAN: Mr. Nielsen has suggested that Mr. Cathers might like to make a further statement.

Mr. WINCH: If he does, then we all might like to repeat what we have said.

The CHAIRMAN: I will ask Mr. Burgis to indicate the names of the witnesses so that the reporters will recognize them.

Mr. BURGIS: On my right is Mr. Bannicke, next is Mr. Jones and, then, Mr. Lloyd.

The CHAIRMAN: I think Mr. Cathers has something further to add which he did not give in his previous statement.

Mr. CATHERS: It is in answer, I think, to a remark by Mr. Winch about how this was advertised. I would like to add that the Pembina people had intended to be here, but the hearing is going on today in Calgary before the conservation board, so they could not be here.

Mr. NIELSEN: Mr. Chairman, I would like to ask Mr. Cathers a question or two.

The CHAIRMAN: Mr. Howard is next.

Mr. HOWARD: Because of his close association with Pembina perhaps I might ask Mr. Cathers whether they would desire to appear before the committee following the hearings in Alberta before the oil and gas conservation board.

Mr. CATHERS: I would not know.

The CHAIRMAN: I think Mr. Woolliams is next.

Mr. WOOLLIAMS: There is just one thing. I was thinking along the same line of thought developed by Mr. Smith (*Calgary South*) that, after all, the application in the petition is merely to incorporate a company. In his discussion Mr. Cathers drew some analogy between the building of railroads and pipe lines. For the purpose of the record I might bring to your attention two

or three sections of the National Energy Board Act, which is chapter 46 of the Statutes of Canada, 1959. First of all I refer to section 10 which I will not read in its entirety. It sets out that the board is a court of record, and a court of record is one that can hear evidence. That evidence is evidence given by witnesses, the production and inspection of documents, the same as any other court.

Section 27 says:

Except as otherwise provided in this act, a company shall not begin the construction of a section or part of a pipe line until

- (a) the Board has by the issue of a certificate granted the company leave to construct the line.

Then it goes on to show what is necessary.

Section 44 sets out the kind of evidence which shall go before the board:

The Board may, subject to the approval of the Governor in Council, issue a certificate in respect of a pipe line or an international power line if the Board is satisfied that the line is and will be required by the present and future public convenience and necessity, and, in considering an application for a certificate, the Board shall take into account all such matters as to it appear to be relevant, and without limiting the generality of the foregoing, the Board may have regard to the following:

- (a) the availability of oil or gas to the pipe line, or power to the international power line, as the case may be;
- (b) the existence of markets, actual or potential;
- (c) the economic feasibility of the pipe line or international power line.

And this is one of the points you raised.

- (d) the financial responsibility and financial structure of the applicant, the methods of financing the line and the extent to which Canadians will have an opportunity of participating in the financing, engineering and construction of the line; and

- (e) any public interest that in the Board's opinion may be affected by the granting or the refusing of the application.

I take it, Mr. Cathers, that when this particular bill in 1959 was before parliament, you supported it. You thought it was a good thing to set up an energy board.

Mr. CATHERS: Correct.

Mr. WOOLLIAMS: And many of the things you have raised today are the very elements that the board deals with, such as what will be brought through the line; that is the function of the board.

Mr. CATHERS: I am well aware of that. I think I covered that; but I also stated that I did not think it was my right to pass on to a board judgments which I should make as a member of parliament. The reason this comes before the members of parliament is to give us an opportunity to pass judgment as to whether we think a pipe line should be built.

Mr. SMITH (*Calgary South*): Mr. Cathers, you would agree, to say the least, that this is a very complicated technical problem. It involves the problem of future markets, the availability of products, and of related transmission lines. This is a highly technical problem, is it not?

Mr. CATHERS: Yes.

Mr. SMITH (*Calgary South*): Do you not feel, therefore, that you should reserve the right to make a decision on these technical problems? Do you think that you, as a member of parliament, are qualified to pass judgment on this?

Mr. CATHERS: I do not think I am qualified to pass on the technical aspects. However, I took an interest in this; I went to the hearings before the Senate, and I was here during the hearings on the Foothills bill. I am not speaking with any expert knowledge, but I say I think it is my right as a member of parliament, when this comes before us, to pass my judgment and to object.

Mr. SMITH (*Calgary South*): You think it is your right, but you have said you do not think you are qualified?

Mr. CATHERS: That is right.

Mr. WOOLLIAMS: Actually you said you do not like to hand over that jurisdiction; but did you not, as a fact, when you voted for the National Energy Board, actually hand over that authority to the National Energy Board.

Mr. CATHERS: If that is the answer, why does this not come directly before the energy board?

Mr. CHOWN: Because the National Energy Board cannot by law incorporate a company.

Mr. WINCH: The only matters which come before the National Energy Board are those authorized by parliament. It would depend on whether or not the company is incorporated. That is what we are discussing now.

Mr. NIELSEN: I would like to get clear in my own mind the real objection that you are taking. Is the objection you are taking an objection to the principle of establishing another incorporated body which you feel might provide services which duplicate those of an existing incorporated body? If your answer to that is in the affirmative, would you extend that objection, on a question of principle, to parliamentary committees incorporating one, two, or half a dozen other bodies in the future which would provide similar services to those being provided in this case?

Mr. CATHERS: In other words you are inferring that my objection is that I think there should be a monopoly granted to Foothills pipe line—is that it?

Mr. NIELSEN: I am asking if you consider that is the principal objection. I am not inferring anything.

Mr. CATHERS: I would rather see a monopoly in the production line, because the rates are all regulated by the Board of Transport Commissioners, than to have two pipe lines built which would not be economically sound. That is my only objection.

Mr. NIELSEN: Am I right that, in your conclusion they would not be economically sound—and this is with no offence intended—you are usurping the field which the national energy board occupies in making decisions such as this?

Mr. CATHERS: I believe that is correct; that is what they are set up for—to look at the amount of production in Alberta, and pass on that judgment. I do not think, however, that that eliminates me, at this stage, when it comes before the House of Commons, from voicing my objection as I see it.

Mr. NIELSEN: Then, Mr. Cathers, I take it you agree that should this committee approve this bill, and it is subsequently passed in the house, there is the possibility when this company goes to the national energy board with a request to transport a product through the line, that that request very well may be refused.

Mr. CATHERS: I would not want to answer that. I have no knowledge of what might happen. That is a hypothetical question.

Mr. HORNER (*Acadia*): Mr. Cathers and I agree on a lot of things. I agree with him in his theory that parliament should not pass on to

boards anything which would be within the jurisdiction of a member of parliament. I have a gross dislike of how boards have used people at times. In this case, however, a company is here asking to be incorporated. What if the company already was incorporated and wished to export this product? It would not come to parliament at all. It would go to the national energy board. In other words the national energy board is set up to serve a function. You and I would not have a voice in this if the company had been incorporated already. In other words, a company which already is incorporated and which wished to compete with Pembina could present argument and you would not have an opportunity to say too much about it.

Mr. CATHERS: No doubt.

Mr. HORNER (*Acadia*): I would like to ask Mr. Burgis one question. I would like to clear up in my mind the matter of what the product is they wish to export. He stated it is made up of hydrocarbons and a high grade of crude oil. Just what is the percentage of propane, butane, or gasoline found in this product which you propose to export? Have you any knowledge of that?

Mr. BURGIS: I cannot answer that specifically, but I do know there is a relatively small amount of propane and butane in the condensate from the particular fields from which we would be exporting.

Mr. HORNER (*Acadia*): In other words, the main product is, as you say, practically over 90 per cent gasoline?

Mr. BURGIS: Essentially, that is true. It is a highly complex thing which I do not fully understand myself. But it is largely what are called pentanes plus, which I understand could be converted essentially into gasoline.

Mr. HORNER (*Acadia*): And mostly into a high grade gasoline?

Mr. BURGIS: That is right.

Mr. HORNER (*Acadia*): I just wanted to clear up that point.

Mr. WINCH: I would like to ask Mr. Burgis if he would tell the committee on what grounds, be it effort, moral, or efficiency, that he now asks the House of Commons to incorporate a company which is 68 per cent owned in the United States, and which is owned and financed by Continental Oil, and to make no provision in the domestic market, but to export around 11,000 barrels, as compared to another company which was incorporated 2½ years ago, which is 90 per cent owned in Canada, 50 per cent owned in Alberta, and over the signature of its president, 95 per cent of its financing is from Canadian financial houses? On what ground—what basis do you ask us to incorporate a company?

Mr. SMITH (*Calgary South*): On a point of order, Mr. Chairman, perhaps the witness would like to comment on the information which Mr. Winch has given. He is offering evidence which I think should be substantiated. It is very important.

Mr. WINCH: I am prepared to file with you a letter containing that information which I received from the president of Pembina.

Mr. SMITH (*Calgary South*): That is fine, but this still does not necessarily end the matter. It is open to examination, of course. Perhaps the witness might proceed to comment on the question.

The CHAIRMAN: Does that clear up your point of order, Mr. Smith?

Mr. SMITH (*Calgary South*): Yes.

The CHAIRMAN: Are you willing to produce that letter, Mr. Winch?

Mr. WINCH: Yes, I would be glad to file it, but not at the moment.

The CHAIRMAN: It will be available to be printed in the record of this meeting?

Mr. WINCH: I shall file it at the close of the meeting.

Mr. BURGIS: Mr. Chairman, in the first place what we are proposing to build is a relatively small piece of pipe line. This, I think, is quite usual in the industry, in oil companies. It is usual for such companies to build small pieces of pipe line in connection with their processing facilities and within their own corporate set-up.

The shares of our company are available for distribution to the public, and they are offered for purchase on the Toronto stock exchange.

According to the evidence that has been brought forth at recent hearings before the Alberta oil and gas conservation board, it appears that if they build their pipe line to Chicago, then the Standard Oil Company of Indiana will pay for and receive 30 per cent of the stock in the Westalta Company, which proposes to build a gathering system in Alberta and to build a main line down to the border, and to have a 35 per cent interest in the Foothills line, one mile across the border; and Standard of Indiana will appoint 50 per cent of the directors and the chief executive officers of these companies.

Mr. WINCH: Might I state that I am going to file this letter. It is over the signature of James A. Scott, president of Pembina Pipe Line Limited.

Mr. SMITH (*Calgary South*): What is the date of it?

Mr. WINCH: The date is January 10, 1961.

Mr. SMITH (*Calgary South*): Could we have the date of the contract?

Mr. BURGIS: The date of the contract between Pembina and Standard of Indiana is December 14, 1960.

Mr. SMITH (*Calgary South*): You made reference to it in your evidence presented to the Alberta conservation board.

Mr. BURGIS: Yes. That was a week ago today—during this past week.

Mr. WINCH: I propose to quote from this letter signed by the president and dated January 10, 1961.

The basis of the Standard-Pembina agreement is that Pembina and the Canadian public will own, and Pembina will operate the pipe line facilities in Canada until the time at which the export transmission pipe line is built from Alberta to Chicago.

At that time Pembina has agreed to sell to Standard three-sevenths of its interest in the Alberta facilities, and in return Pembina will purchase 35 per cent of the common stock in all of the American facilities which includes the transmission line, and fractionation plant at Chicago.

On completion of this transaction, the Canadian public would own 30 per cent, Pembina 40 per cent, and Standard 30 per cent of all the pipe line facilities in Canada.

Pembina will operate all the facilities in Canada, and Standard will operate all of the facilities in the United States.

In addition, Mannix Company Limited, a 100 per cent Canadian-owned construction company, will design, engineer and supervise construction and inspection of all the facilities in Canada, and Standard will have the like privilege in the United States.

The CHAIRMAN: Do you wish to file that letter now?

Mr. WINCH: May I ask that it be printed in the reports of this committee?

The CHAIRMAN: Is that agreeable to the committee?

Agreed.

(See Appendix "A" hereto.)

Mr. SMITH (*Calgary South*): Perhaps Mr. Burgis might answer this question: was this information contained in the letter from the president of Pembina, consistent with the information recently submitted to the Alberta conservation board, to the best of your knowledge?

Mr. BURGIS: It would appear to be reasonably consistent, sir. This contract is a very extensive one, and is replete with a lot of conditions. I was reporting on it, and it was filed by Standard and Pembina with the Alberta gas and conservation board.

Mr. HOWARD: Within the last week or two Pembina and the people—your associated companies—appeared before the Alberta board?

Mr. BURGIS: Yes.

Mr. HOWARD: They did not withdraw their application?

Mr. BURGIS: No, sir. They withdraw only their application to duplicate the portion that we have indicated in green.

Mr. WINCH: Did they withdraw their application?

Mr. BURGIS: Yes, they withdraw it for that portion.

Mr. HOWARD: We were given to understand in an indirect way that they had to withdraw their application.

Mr. BURGIS: Not the whole of their application.

After we applied to build this line down to the border, they subsequently applied to the Alberta Oil and Gas Conservation Board to build essentially the same line. But before the hearing was held—I think it was one day previous to the hearing—they withdrew their request to build that line.

Mr. HOWARD: Why is it that you are associated with Hudson's Bay Oil and Gas? Why is it that an application for a private bill is under the name of another company, Aurora, rather than in the name of your company?

Mr. BURGIS: We are already incorporated, sir. Hudson's Bay Oil and Gas is a dominion incorporation. It is not a special or private act company; and as I understand the law, we must have a special act pipe line company in order to build a line across a provincial or an international boundary.

Mr. CHOWN: I wonder if Mr. Burgis or counsel would be good enough—since we did not have a reporter present previously—to outline the reasons why they feel that even if Foothills is granted permission to build their line—and there is a measure of uncertainty—that they will ever be able to proceed, because of conditions precedent laid down in the agreement which has been executed by these various companies, and which is dated December 14, 1960?

Mr. BURGIS: I suppose the best way we can answer would be to read from this copy of the agreement which has been submitted to the Alberta gas and oil conservation board.

I shall read paragraph 5, entitled "assurances and permits prior to construction." This was an agreement between Pembina Pipe Line and Standard Oil Company of Indiana, Foothills Pipe Line Company and Dakota Eastern Pipeline Company. It reads as follows:

(1) The parties hereto agree that as a condition precedent to the performance of their respective obligations under this agreement to construct or to cause to be constructed the project, the fractionation plant or the distribution system, it shall be necessary that assurances satisfactory to Standard and Pembina shall first be obtained from the governments of Canada, of the United States of America and of the province of Alberta, or from the appropriate executive or administrative officers or agencies of such governments or of the applicable one or more of them, that they shall not, directly or indirectly,

- (a) limit, through prorationing or otherwise, the quantity of the product available for shipment through the gathering system and the project to an amount that is less than 160,000 barrels per day; or
- (b) require the operators of the gathering system and of the project to accept and ship therein substances or material other than the product as herein defined; or

- (c) impose any new duty or tariff applicable to the export from Canada or to the import into the United States of America of the product through the project which is not applicable to the export or import, as the case may be, of the product on the date of this agreement, or increase any duty or tariff applicable to such export or import, as the case may be, on the date of this agreement; or
- (d) interfere with the free determination by the producers of the product and by the actual or potential shippers of the product through the gathering system and the project, of the terms of purchase contracts between such producers and shippers, or alter to the detriment of such shippers the terms of any such purchase contracts entered into by such producers and shippers; or
- (e) prohibit or limit the export from Canada or the import into the United States of America of the product; or
- (f) require that the quantities of the product imported into the United States by Standard or any of its subsidiary corporations be included in determining compliance by Standard or any of its subsidiary corporations with any existing or future import quota or allocation assigned or granted to Standard or any of its subsidiary corporations or require Standard or any of its subsidiary corporations to reduce or curtail imports of crude oil, unfinished oil, natural gas liquids or finished products from areas other than those served by the gathering system in order to comply with any such import quota, allocation or other import restriction; or
- (g) alter the exempt status of Canadian crude oil, unfinished oil, natural gas liquids or finished products, imported into districts I to IV, conferred by presidential proclamation 3279 of March 10, 1959, as amended by proclamation 3290 of April 30, 1959, and proclamation 3328 of December 10, 1959.

When this evidence was discussed before the Alberta Oil and Gas Conservation Board, there was considerable doubt expressed in cross-examination that it would be possible to get approval from the governments to give a continuing guarantee that there would not be changes in the tariffs, or in existing conditions with respect to imports, or exports over the life of the contract.

Mr. HORNER (*Acadia*): There is one other question which comes to my mind: did Aurora Pipe Line oppose the Foothills application before the Alberta Oil and Gas Conservation Board last week?

Mr. BURGIS: Yes sir, we did.

Mr. HORNER (*Acadia*): What were your main objections to their proposed line?

Mr. BURGIS: They were rather extensive. One was the indefiniteness of this project; another was that we did not think it advisable for producers in western Canada to take essentially all the production—or potentially all the production—and deliver it to one purchaser in the United States; and thirdly, we were not happy with the price that was offered.

Mr. WINCH: Why did your company decide to come in after 2½ years, when all this money on research and planning had been put up by the previous company?

Mr. BURGIS: We had not been entirely idle during this period. In fact we were part of a group that originally worked with the Pembina company and bore our share of the cost of the research and planning that was done. In fact we worked with the Pembina company but disagreed with the approach that they were taking.

Mr. WINCH: Has very serious consideration been given to, and if so, why have you failed to be able to work in collaboration with this other company in the interests of Alberta?

Mr. BURGIS: I disagree with you when you say that we have failed to work with them.

Mr. WINCH: Well, are you prepared to work in collaboration with them?

Mr. BURGIS: Yes, to the extent that we think it is a reasonable and sound project.

Mr. SMITH (*Calgary South*): You stated that your disagreements were so basic, and you outlined these disagreements before the conservation board. You said you could not agree on the approach they were taking?

Mr. BURGIS: We thought it was unnecessary to duplicate all the existing network of crude pipelines—and that was another point which we made at the Alberta hearings.

Mr. HORNER (*Acadia*): Mr. Burgis stated that he did not agree on the price arrangement offered; could you explain that?

Mr. BURGIS: Well, that is a rather complicated subject, and I do not know whether I am fully qualified to speak in that connection.

It is our view that over the long term the value of condensate relative to crude oil is going to increase and the market price in this long-term standard contract would tie it to the lower of the crude oil prices in the United States or Canada.

Mr. WINCH: Is there not an advantage in being able to export 75,000 barrels as compared to 11,000?

Mr. BURGIS: We think, if there should be that kind of volume available for export, that the present existing systems, with the necessary additions, would be able to export them through to the same markets.

Mr. WINCH: In view of what you said about duplication, did not Pembina show some spirit of co-operation? You said that they were prepared and did withdraw an application.

Mr. BURGIS: They are objecting to us getting our permit to build ours. I know they withdrew their application to duplicate it. I do not know if they want us to get our permit. But, if that is the case, we would be happy.

Mr. NIELSEN: Do you know why they are objecting?

Mr. BURGIS: No.

Mr. SMITH (*Calgary South*): I had a point to make, but perhaps Mr. Chown should be heard first.

Mr. CHOWN: I was just going to say that if they were strenuously objecting, they would be represented here by counsel. However, I think they realize this is a mere technical execution of a function of parliament and, undoubtedly, in the course of time they will appear before the energy board, if they feel disposed to do so.

Mr. SMITH (*Calgary South*): This is the point I wanted to make—and I would like to make this very clear. I think all of us recognize that while we have the responsibility—and, of course, the authority—to carry out this examination, it shows the problems with which we are faced as members of parliament in dealing with a very complicated problem. It is conceivable that these two competing companies may not get outside of Alberta's regulatory authorities, and may never reach the national energy board. However, we have a responsibility toward the broad concept, and whether or not this pipe line should be incorporated.

You have already indicated to us certain basic principles of your financial structure. You have outlined the American participation and have made certain references in your opening paragraphs. You must have examined and given considerable thought as to why you wanted to proceed on the basis you have. Would you please elaborate on the details in your statement in regard to the necessity for this?

May I ask you one other question? Of course, you are aware of section 44 (d) of the National Energy Board—that in the final analysis, before a permit can be granted to you, the energy board must take into consideration the financial responsibility, financial structure, the method of financing, the extent to which Canadians should have an opportunity of participating, and so on. You are familiar with this section?

Mr. BURGIS: Yes. We take the point of view that this is a relatively small line, and it would be quite usual for an oil company to build it as part of their normal operations. In terms of public financing, back in 1957 our directors did offer public participation in the ownership of Hudson's Bay Oil & Gas, when there was no public clamor for ownership.

Mr. SMITH (*Calgary South*): You say in 1957?

Mr. BURGIS: Yes.

Mr. SMITH (*Calgary South*): But, what was the final result?

Mr. BURGIS: 9.6 per cent—approximately 10 per cent—of the outstanding shares are owned by some 12,000 public shareholders.

Mr. WINCH: If I may ask a question, why do you want the cream?

Mr. BURGIS: We are not taking the cream. We are building a pipe line to serve the only major fields in Alberta which presently do not have ready access to the existing market through a crude oil pipe line which could take their product to domestic and export markets.

Mr. WINCH: Do you maintain that if you do not get this, the Foothills Company will not take that?

Mr. BURGIS: No, sir; I do not maintain that. You can see on the map that we are proposing to build a small 41-mile pipe line at a cost of \$1,600,000. That is all the investment that is needed to get that out of the country.

Mr. WINCH: But you do say that if you do not go ahead, you have no reason to believe that Pembina will not tap that line?

Mr. BURGIS: Provided they get authority from the Alberta Oil and Gas Conservation Board; but I have no idea whether or not they will.

Mr. WINCH: Let me say one thing. In view of the statement Mr. Chown made, I think it should be noted that I have read what you drew to my attention and what went into the papers, and there is nothing in there that gives the date of this meeting at all. The only reference to date is in our own *Votes and Proceedings* of last Thursday. Then, the statement made by Mr. Cathers should be noted—that he has been in touch with Pembina and the reason they are not here today is because they appear before the Alberta Conservation Board today.

Mr. WOOLLIAMS: Is that the only reason they are not here?

Mr. CATHERS: I cannot answer that.

Mr. WOOLLIAMS: I do not think he went that far. He just said they went before the conservation board, but he did not say that was the reason they are not here.

Mr. CHOWN: There are plenty of counsel in Ottawa who, I am sure, would be delighted to act.

The CHAIRMAN: Have you a question, Mr. Creaghan?

Mr. CREAGHAN: First of all, I think it is proper for me to say that I am very much in favour of the principle of the bill and that I intend to support it at the proper time. However, I feel that members of parliament serving on this committee have a duty to examine the bill and the purposes of it, notwithstanding the existence of a national energy board. I am very happy that the evidence is being transcribed. I went to find out where these witnesses came from, and if it is not going to be terribly inconvenient for them to wait over, or to return. I intend to move that, before we go into the clause by clause discussion, the clerk give notice of a hearing at a subsequent date. I realize we have a board that will determine whether or not a licence is granted, but I suggest that we have a duty to examine the bill, to make certain that the company is incorporated, and that the opponents to the bill have an opportunity to come before the parliamentary committee to express opposition, if they have any. I do not know if we are going to have any opposition. I would be rather happy if we do not. But, I move that before going on with the clause by clause discussion, that the meeting be adjourned to a later date in order that anybody who might oppose the bill will have an opportunity to give evidence before the committee.

Mr. SMITH (*Calgary South*): On a point of order, Mr. Chairman, that presupposes that they have not had the right, and I think that is incorrect.

The CHAIRMAN: As far as any standing committee of the house of commons is concerned, people who are objecting to a bill have the right to be present. And, as I indicated previously, this was advertised.

Mr. WINCH: But, not the date of the hearing, from what you showed me.

The CHAIRMAN: Well, of course, if parties are definitely interested in a private bill of this type, it is up to them to see when the sittings of the committee are going to take place.

Mr. NIELSEN: This committee has the power to summons witnesses if it so desires.

Mr. CREAGHAN: I do not know of any witnesses that I want to summons. It is my belief that the members themselves did not have too much notice of this hearing. I was at the meeting yesterday morning, and we were given to understand that we would have a meeting here this morning in connection with this bill. We were on an entirely different matter here yesterday, pertaining to a railway line in Quebec. Personally, I do not care if anyone shows up, and I have no intention of subpoenaing anyone, because I do not know whom to call. However, I think it is our duty to give the public ample opportunity to get here, and for that reason I am going to move that this committee hearing be adjourned for a period of one week before we take it clause by clause.

The CHAIRMAN: Would you write that motion out?

Mr. WINCH: Just before that, may I say that although I agree with the motion, I would like to ask whether the poser of this motion will not state that it be postponed, not just for one week, but that it be postponed at the call of the chair, and that in view of the letter which I have filed from Mr. Scott, the president of Pembina, that he be notified of the date set and that he be asked whether he desires to appear or be represented by someone.

The CHAIRMAN: As chairman of the committee, and knowing Mr. Cathers' feelings, I intimated to him that he should get in touch with the Pembina people and ask them if they would like to appear at this committee hearing. Is that not correct, Mr. Cathers?

Mr. CATHERS: You spoke to me. When was it?

The CHAIRMAN: A week or so ago, when it was in the house.

Mr. CATHERS: Well, I do not know whether that was the way it was, or how I am going to answer that. The invitation should go from you, through me, to them.

Mr. SMITH (*Calgary South*): Mr. Chairman, this is a principle that has been followed for some years in this committee. It has been suggested that there has been some irregularity in this application. This hearing is being handled in the same way as was the case when the Pembina people appeared, and any suggestion that presupposes that people have not had the right to appear, is not in keeping with the facts. If there is any valid reason for the competing line to oppose this bill—and no one is going to suggest that they do not have some knowledge of it, recognizing its importance—especially in Alberta—they would no doubt be here, if they wanted to be heard. This does not make sense to me, sir.

Mr. WINCH: I am a member of this committee, and I did not know about it until just recently.

Mr. MCGREGOR: The first I knew about it was when I received the notice this morning, and I am in no position to approve of it.

Mr. HORNER (*Acadia*): But, you have no vital interest in it. It has been debated in the house for a month.

Mr. WINCH: But the date of the hearing here was not mentioned.

Mr. HORNER (*Acadia*): But, you could have found out.

Mr. WOOLLIAMS: Before you put the question, we should not lose track of one thing. This is an application merely asking parliament to incorporate a company, and I want to emphasize the fact that the right to build a pipe line or to export anything through a pipe line is directly under the jurisdiction of the national energy board itself.

Mr. SMITH (*Calgary South*): If I could make an interjection, Mr. Chairman, we are not going to make a decision as to who wins the horse race: we are just letting them both have the right to run in the same race.

Mr. WINCH: Any act of parliament is important and should be considered important.

Mr. PASCOE: Just before you put that motion, the witnesses should indicate how much inconvenience they would be put to.

The CHAIRMAN: That is another question, gentlemen; the witnesses have come here at considerable inconvenience to themselves and if they have to come back in another week it is going to be a further inconvenience to them. However, we have a motion by Mr. Creaghan. Have I a seconder?

Mr. MCGREGOR: I second that.

Mr. NIELSEN: Before you ask the question I would like to make the observation that indeed the application by Aurora must have received wide publicity, because the advertisement appeared even in the only newspaper in the Yukon territory, the *Whitehorse Star*. There is no doubt in my mind that the officials of Pembina must have had notice of the time of this hearing, must have known months ago it was going to be taking place. If they had any interest in being here before the committee to raise objection, they have had ample opportunity of making inquiries as to how they should appear, when they should appear and if they should appear.

The CHAIRMAN: We have a motion before the committee.

Mr. McPHILLIPS: This motion is so contrary to the practices of the House of Commons I think we should be very careful. Extensive advertising was done and notice was given not only in newspapers but in the *Canada Gazette* too, and this has been parliamentary practice for years and years.

If we are going to depart from that rule, where there has been public notice given, and start notifying individual persons from time to time and all the time, we are going to stultify our own proceedings.

Mr. WINCH: That is done in every committee room that I have ever attended.

The CHAIRMAN: There appears to be a difference of opinion. We will have a vote on this motion of Mr. Creaghan's which says that before clause by clause consideration of bill S-2 the committee adjourn for a period of at least one week to give interested parties the privilege of appearing before the committee at the adjourned meeting.

All those in favour of the motion?

All those opposed?

Eight opposed and five for the motion.

I declare the motion lost.

Now, gentlemen—

Mr. MCPHILLIPS: Just before you go ahead, Mr. Burgis indicated to us that this Aurora company was in fact a creature of the Hudson's Bay Oil and Gas Company, which I suppose it is, for a particular purpose, namely to build a very insignificant portion of a line involving some \$15,000 expenditure. Now, it must surely have something more in mind. This deals strictly with the incorporation. I see they are taking the power to have a capitalization of \$10 million.

What else is in mind besides this little \$15,000 line?

Mr. BURGIS: At the moment, sir, we have nothing else specifically in mind. However, we are, as are many of the other oil companies, in the pipe line business. Frequently, when we consider moving crude or condensate from one field or one market to another it might involve consideration of crossing interprovincial boundaries and at that time we conceivably could use Aurora to build more facilities, let us say, from the Yukon or Northwest Territories into Alberta or something like that. But specifically we have nothing in mind at the moment. We put that in, as most companies do, when they are setting up a corporation which is going to have an indefinite life, to make it more flexible to have more flexibility to cover future things that might happen.

The CHAIRMAN: Any further questions, gentlemen?

Shall the preamble carry?

Preamble agreed to.

Mr. WINCH: I suggest very, very sincerely that we should have an opportunity of reading the report and studying the material before we go into a decision on this bill as a committee.

The CHAIRMAN: Well, we are in committee, Mr. Winch.

Shall the preamble carry?

Preamble agreed to.

Clauses 1, 2 and 3 agreed to on division.

On clause 4.—

Mr. NIELSEN: All of those are on division, Mr. Chairman. I heard the member for Vancouver East opposing it.

Mr. WINCH: I am opposing this bill, sir. I was hoping we would go into committee.

The CHAIRMAN: This is a committee.

Mr. WINCH: I meant among ourselves and discuss it, back and forth.

Mr. CHOWN: This is in the standard form, of all bills of this nature?

Mr. GORDON BLAIR (*Counsel for Aurora Pipe Line Company*): It is, Mr. Chown.

The CHAIRMAN: Shall clause 4 carry?

Clause 4 agreed to, on division.

Shall clause 5 carry?

Clause 5 agreed to, on division.

Shall clause 6 carry?

On clause 6, Power to construct and operate pipe lines.

Mr. NIELSEN: Mr. Chairman, I would like to ask a question or two on clause 6. The proposed company by clause 6 is asking for powers to construct pipe lines in Manitoba, Saskatchewan, Alberta, British Columbia, Yukon and the Northwest Territories and I ask the witness who has knowledge of the facts what purpose they have in including in their objects in clause 6 the Yukon and Northwest Territories?

Mr. BURGIS: I would be glad to answer that. We have undertaken a fairly extensive exploratory program in the Yukon and Northwest Territories which we hope will be successful in finding oil and eventually might need to build a pipe line or assist in building a pipe line to get the oil out to market. We certainly do not need it yet. We have undertaken a fairly extensive exploratory program in that area.

Mr. NIELSEN: Do I understand you do hold exploration permits in the Yukon and Northwest Territories now?

Mr. BURGIS: Yes, sir, we do.

Mr. NIELSEN: And you are active in both these territories in your search for oil and gas?

Mr. BURGIS: We are, sir.

Mr. WINCH: May I ask a question, sir?

The CHAIRMAN: Are you finished, Mr. Nielsen?

Mr. NIELSEN: May I ask if the United States affiliate Continental Oil holds the same type of exploration permit in the Yukon and Northwest Territories?

Mr. BURGIS: No, sir, they do not.

Mr. NIELSEN: Thank you, Mr. Chairman.

Mr. WINCH: May I ask, is my impression correct on clause 6 that although your oil pipe line company is only asking for an incorporation of \$10 million, and according to Mr. Burgis their only plans are for export from southwestern Alberta to the extent of \$10 million, actually in clause 6 they are asking for a complete coverage of Alberta as we similarly granted two and a half years ago to Foothills Pipe Line.

Mr. BURGIS: When I answered your previous question, I thought you meant our immediate plans, things we firmly know we are going to do. That is the only thing we firmly know we are going to do.

Mr. WINCH: But in clause 6 you are asking us to give you power now for all of Alberta, the Yukon and Northwest Territories if you so desire to go ahead?

Mr. BURGIS: I understand that is the standard form of bill.

Mr. WINCH: Of course, but I am speaking about—

Mr. SMITH (*Calgary South*): Perhaps the witness might be allowed to reply.

Mr. BURGIS: I understand this is the standard type of bill.

Mr. SMITH (*Calgary South*): That is the point.

The CHAIRMAN: Shall clause 6 carry?

Clause 6 agreed to, on division.

Mr. WINCH: I am not quite certain as to whether we are getting the full story on clause 6.

Clauses 7 to 11 agreed to, on division.

Title agreed to on division.

Bill agreed to without amendment, on division.

The CHAIRMAN: Shall I report the bill without amendment?

Some hon. MEMBERS: Agreed to, on division.

APPENDIX "A"

Room 303,
805-8th Avenue S. W.,
Calgary, Alberta.
January 10, 1961.

Mr. Harold E. Winch, M.P.,
House of Commons,
Ottawa, Ontario.

Dear Mr. Winch:

The common stock of Pembina Pipe Line Ltd., is owned more than 90% by approximately 2,000 Canadian investors. Slightly more than 50% of the outstanding shares are held by Canadians in the Province of Alberta. Over 95% of all our debt financing has been raised in Canada by Canadian investment houses. Our company gathers all of the crude oil in the Pembina field in Alberta and transports this oil to Edmonton where some is utilized in the refineries and the remainder is transported to the East by the Interprovincial Pipe Line and to the West by the Trans Mountain Pipe Line. For the past six years, we have been delivering approximately 100,000 barrels per day (BPD) at Edmonton. This volume represents about one-third of all the oil produced in the Province of Alberta.

Our company has approximately \$28,000,000 of assets and employs 150 permanent employees—all of whom are Canadian. All of the directors and officers of the company are Canadians. Over the years of operation, we have proved that Canadians can efficiently design, construct and operate a crude oil pipe line system of considerable magnitude.

In August of 1957, while examining the effect of the production of natural gas on the Alberta petroleum situation, we became aware that such production of gas would entail the simultaneous production of large volumes of propane, butanes, condensate and sulphur. These products must be extracted before gas is exported. In view of the large quantities of these potentially valuable products, and the inability of Canada to economically absorb more than a fraction of them, we commenced a study to determine the best markets for these products and the best methods of transportation. Since August of 1957, we have worked steadily on this problem and for the last 2½ years have had a small group of eight Canadian specialists working exclusively on this project and supported entirely by Pembina Pipe Line Ltd. Outside consultants have also been extensively used. Without a question of doubt, we have been the leaders in this field and in our opinion still are. We had no competition until approximately one year ago when we first applied to the Alberta Government for a permit to gather the gas by-product liquids (propane, butanes and condensate) from the natural gas fields.

At present we have four opponents, one of which is the Hudson's Bay Oil & Gas Company Limited. This company is controlled by an American oil company, Continental Oil Company of Houston, which owns 67.8% of the common stock. The remainder is owned 22.6% by Hudson's Bay Company of England and 9.6% by the American and Canadian public.

It has always been Pembina's contention that approximately 20,000 to 40,000 barrels per day (BPD) of these gas by-product liquids will be used in Western Canada and that the balance will be surplus for export. The Eastern Canadian market, because of its particular requirements is not a suitable market for these liquids. It appears that by late 1963, there will be a surplus to Canadian requirements of approximately 70,000 BPD. The value to Canada if this quantity is exported to the United States exceeds some \$50,000,000 in the first year of export.

Pembina tried for two years to find suitable markets for the surplus. The only large market for the surplus proved to be the Chicago area. Everyone, including our competitors, agrees on this point. This market location is of

particular benefit to Albertans and Canadians because no Canadian crude oil is entering the greater Chicago area and thus serving such a market with surplus gas liquids would increase the Canadian market for petroleum without detracting from existing markets. The principal refiner in the greater Chicago area is Standard Oil Company (Indiana) which has a large refinery of 250,000 BPD capacity at Chicago. This company also markets 35% of all the petroleum products sold in the greater Chicago area. For over two years, Pembina has worked with Standard of Indiana in an effort to arrange a partnership whereby they would market the product in the United States. Three weeks ago, Standard of Indiana and Pembina entered into an agreement whereby Standard has agreed to market the Canadian surplus up to 75,000 BPD of condensate in the proportion of 6 parts condensate to 1 part butanes to 1 part propane. (These liquids naturally occur in the approximate proportion of 4-1-1.) The basis of the Standard-Pembina agreement is that Pembina and the Canadian public will own and Pembina will operate the pipe line facilities in Canada until the time at which the export transmission pipe line is built from Alberta to Chicago. At that time, Pembina has agreed to sell to Standard three-sevenths of its interest in the Alberta facilities and in return Pembina will purchase 35% of the common stock in all of the American facilities which includes the transmission line and fractionation plant at Chicago. On completion of this transaction, the Canadian public would own 30%, Pembina 40% and Standard 30% of all the pipeline facilities in Canada. Pembina will operate all of the facilities in Canada, and Standard will operate all of the facilities in the United States. In addition, Mannix Co. Ltd., a 100% Canadian owned construction company, will design, engineer and supervise construction and inspection of all the facilities in Canada, and Standard will have the like privilege in the United States.

Our total project would cost approximately \$130,000,000 of which \$40,000,000 would be located in Canada.

Two years ago, Pembina incorporated a Special Act company, Foothills Pipe Lines Ltd., which will be required to transport products across the border of Alberta into the United States.

Hudson's Bay Oil & Gas Company Limited (Continental Oil Company) is now trying to compete with Pembina by offering to take the surplus gas by-product liquids from the extreme south of the Province of Alberta into the Continental facilities in the United States. They state that they have no present intention of extending the Alberta facilities to handle production from gas fields to the north. If this is taken at face value, Hudson's Bay is prepared to skim off the easy cream of the product at the expense of the other production in the Province. Further, such action if permitted might well imperil our comprehensive and equitable system because of the lack of an economic pipe line volume. If it is the Hudson's Bay ulterior intention eventually to extend north into the Province, they intend to duplicate what we have been proposing for many months. It is for such a purpose that Hudson's Bay are endeavouring to incorporate a Special Act pipe line company comparable to our Foothills company.

Yours sincerely,
PEMBINA PIPE LINE LTD.
(Sgd.) James A. Scott,
President.

P.S.—For your information, we are enclosing the following reports:

1. Stevenson & Kellog summary.
2. Last Annual Report.
3. List of 12 major oil companies.
4. Map of project.
5. Hudson's Bay Financial Statement.

HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament

1960-61

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

WEDNESDAY, MARCH 15, 1961

Respecting

Bill S-13, An Act respecting Canadian Pacific Railway Company
Including Fourth Report to the House

WITNESSES:

Mr. Gregory J. Gorman, Counsel, and Mr. C. A. Colpitts, Chief Engineer,
both of Canadian Pacific Railway Company.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: Martial Asselin, Esq.

and Messrs.

Allmark	Drysdale	McGregor
Badanai	Dumas	McPhillips
Baldwin	Fisher	Michaud
Bell (<i>Saint John-Albert</i>)	Garland	Monteith (<i>Verdun</i>)
Bourbonnais	Grills	Pascoe
Bourget	Hardie	Payne
Bourque	Horner (<i>Acadia</i>)	Phillips
Brassard (<i>Chicoutimi</i>)	Johnson	Pigeon
Brassard (<i>Lapointe</i>)	Keays	Pitman
Browne (<i>Vancouver-Kinsway</i>)	Kennedy	Rapp
Bruchesi	Lessard	Rogers
Cadieu	MacInnis	Rynard
Campbell (<i>Stormont</i>)	MacLean (<i>Winnipeg North Centre</i>)	Smith (<i>Lincoln</i>)
Campeau	Martin (<i>Essex East</i>)	Smith (<i>Simcoe North</i>)
Chevrier	Martini	Speakman
Chown	McBain	Thompson
Creaghan	McDonald	Tucker
Crouse	McFarlane	Valade
Denis	McGee	Woolliams
		Wratten—60.

Eric H. Jones,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS

TUESDAY, February 21, 1961.

Ordered—That the name of Mr. Crouse be substituted for that of Mr. Nielsen on the Standing Committee on Railways, Canals and Telegraph Lines.

TUESDAY, March 7, 1961.

Ordered—That Bill S-13, an Act respecting Canadian Pacific Railway Company be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, March 8, 1961.

Ordered—That the names of Messrs. Speakman, Fisher and Pitman be substituted for those of Messrs. Smith (*Calgary South*), Winch, and Howard respectively on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

WEDNESDAY, March 15, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FOURTH REPORT

Your Committee has considered Bill S-13, an Act respecting Canadian Pacific Railway Company, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence respecting the said Bill is appended.

Respectfully submitted,

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, March 15, 1961.

(4)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 a.m. this day, the Chairman, Mr. W. M. Howe, presiding.

Members present: Messrs. Badanai, Baldwin, Bell (*Saint John-Albert*), Chevrier, Crouse, Dumas, Horner (*Acadia*), Howe, Keays, Kennedy, Lessard, MacInnis, McBain, McFarlane, Monteith, (*Verdun*), Pascoe, Rapp, Rogers, Speakman and Smith (*Simcoe North*). (20)

In attendance: Mr. Gregory J. Gorman, Counsel for Canadian Pacific Railway Company, Registered Parliamentary Agent, and Mr. C. A. Colpitts, Chief Engineer, Canadian Pacific Railway Company.

The Committee proceeded to consider the following bill, namely,

Bill S-13, An Act respecting Canadian Pacific Railway Company.

The Chairman raised for the consideration of the Committee whether or not its proceedings on this private bill be recorded and printed, the said bill concerning a proposed branch line of the Canadian Pacific Railway Company. Following brief debate, on motion of Mr. Smith (*Simcoe North*), seconded by Mr. Chevrier,

Resolved—That the proceedings of the Committee on Bill S-13 be reported and printed.

On motion of Mr. Keays, seconded by Mr. Rogers,

Resolved—That, pursuant to its Order of Reference of February 6, 1961, the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in relation to its consideration of Bill S-13.

The Clerk of the Committee read the Order of Reference dated March 7, 1961, whereby Bill S-13 was referred to the Committee.

On the Preamble

The Sponsor, Mr. Speakman, M. P., being a member of the Committee, introduced the Parliamentary Agent, Mr. Gorman, and the witness, Mr. Colpitts.

Mr. Gorman spoke briefly on the bill and Mr. Colpitts read a prepared statement on the purpose of the bill and, using maps which had been distributed to members present, explained the location of the proposed branch line and the purposes which it would serve. He was questioned.

On Clause by Clause consideration

The Preamble, Clauses 1 and 2 and the Title were severally carried; the Bill was carried without amendment.

Ordered—That Bill S-13 be reported to the House without amendment.

During his questioning of the witness, Mr. Chevrier had asked for the tariff of rates applicable to the said branch line. The witness stated that these were not immediately available and might not so be within the near future.

Mr. Chevrier said that he considered that the information he had requested should be put on the record of the Committee and he moved, seconded by Mr. Lessard, that the tariff of rates applicable to the said branch line be provided to the Committee and printed as an appendix to the Committee's proceedings of a subsequent meeting. The said motion was carried.

The Committee agreed not to print as an appendix the map which had been before it, entitled "Plan of Approximate Location of Proposed Branch Line from Rimbey Northeasterly, etc."

At 10.05 a.m. the Committee adjourned to the call of the Chair.

Eric H. Jones,
Clerk of the Committee.

EVIDENCE

WEDNESDAY, March 15, 1961.

9.30 a.m.

The CHAIRMAN: Before we commence our proceedings today, I have a question to put to the Committee: is it the wish of the Committee that its proceedings on the private bill before us, namely, Bill S-13, an Act respecting a branch line of the C.P.R., be recorded and printed?

Mr. SMITH (*Simcoe North*), seconded by Mr. Chevrier, moved that the proceedings of the Committee on Bill S-13, be recorded and printed. Carried.

Mr. KEAYS, moved, seconded, by Mr. Rogers, that the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in relation to its consideration to Bill S-13.

The CHAIRMAN: I will ask the clerk to read the order of reference.

The CLERK: This is the order of reference of the house dated March 7, 1961.

Ordered that bill S-13, an Act respecting Canadian Pacific Railway Company be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

The CHAIRMAN: I shall now call the preamble and invite Mr. Speakman, who is the sponsor of the bill in the house, to explain the bill and to introduce the parliamentary agent and witness.

Mr. SPEAKMAN: Sitting on your immediate right is Mr. C. A. Colpitts, with whom I had the pleasure of working a good many years ago. He is Chief Engineer of the Canadian Pacific Railway. And next to him is seated Mr. Gregory J. Gorman, the legal representative of the railway.

The CHAIRMAN: Have you a statement to make, Mr. Colpitts or Mr. Gorman?

Mr. GREGORY J. GORMAN (*Registered Parliamentary Agent and Counsel for Canadian Pacific Railway Company*): Might I say just briefly, Mr. Chairman and hon. members, that Mr. Colpitts, who is the Chief Engineer for the Canadian Pacific Railway Company, is quite familiar with the proposed construction. He will give a brief outline of the purposes of the new work, and I think he will be prepared to answer the questions of hon. members relating to it.

The CHAIRMAN: Mr. Colpitts, have you any explanation you want to give first of all, to this bill, or would you prefer that the committee ask you questions about it?

Mr. C. A. COLPITTS (*Chief Engineer, Canadian Pacific Railway Company*): I have a brief outline, Mr. Chairman.

The CHAIRMAN: Would the committee like to hear that outline? Very well.

Mr. CHEVRIER: I think we should hear Mr. Colpitts' statement.

The CHAIRMAN: Very well.

Mr. COLPITTS: The proposed plant of the British American Oil Company will be located in the southwestern quarter of section 5, township 44, range

1, west of the fifth meridian and will produce approximately 196 tons of sulphur, 200 tons of butane and 127 tons of propane daily.

It is anticipated that 90 per cent of the sulphur will be for export and the balance for eastern Canada. The propane and butane will be shipped to numerous points in British Columbia, eastern Canada and the United States. The rail line is considered the only feasible method by which these products can be transported from the plant to their destination. The life of the field in which the plant will be located is estimated at this time to be approximately 50 years.

Negotiations between the railway company and the British American Oil Company Limited, with respect to the financing of the line, are proceeding and it is not expected that there will be any difficulty in arriving at a mutually satisfactory arrangement.

The proposed line will connect with the railway system of Canadian Pacific near Rimbey, Alberta, a point on the company's Hoadley subdivision branch line between Lacombe and Leduc. The Hoadley subdivision from mile 0.0 to mile 69.8 was put into operation in 1921, from mile 69.8 to mile 91.2 in 1929, and the balance in 1931.

There are business tracks located at Rimbey. There is a railway employee in charge of the station and there are facilities for the handling of traffic originating at the British American Oil Company's plant. Additional tracks may have to be constructed at Rimbey to take care of the additional traffic from the plant. The freight service through Rimbey now is a mixed train four days per week, and a freight train two days per week, assuring a prompt and adequate service in either direction for freight originating or terminating at any point in the proposed line.

The proposed line extends northeasterly from a point approximately three and one-half miles north of Rimbey on the Hoadley subdivision to the British American Oil Company Limited property, in the south half of section 5, township 44, range 1, west of the fifth meridian in the province of Alberta, a distance of approximately eight and a quarter miles.

The first two miles is through low lying country with a clay loam soil, having heavy growths of hay and grain crops and patches of thick scrub brush. The next three miles is generally rolling, hilly country containing some cultivated areas, some heavy grass and some heavy bush areas. The soil is generally sandy and contains some clay and loam. The next two and one-half miles crosses over low lying muskeg country with heavy growths of grass and scrub brush. This section is in the valley of the north branch of the meandering Blindman river. The last three-quarters of a mile rises quickly out of the valley over gravel and sandy soil up to the plant area. The country through which the line will pass is chiefly grazing land with some light agriculture.

In determining the best possible route for this line a reconnaissance has been made by experienced railway engineers, and the route shown on the plan before you is the one selected as the most feasible for the purpose of economical railway construction and operation and to best serve the interests of the industry. It is the wish of the industry that they have direct and quick access to movement of traffic via the Hoadley subdivision to the Calgary-Edmonton line. A detailed survey to establish the exact location of the line has been made. Amicable arrangements have been made with the property owners over whose lands the new line will pass, and assent has been secured from the local authorities for the new line to cross road allowances.

Canadian Pacific is satisfied that the construction of this line is fully justified both from the point of view of the railway and the industry. Roads in the area include a black top highway from Rimbey south and gravel from

Rimbey north; also a gravelled highway from Rimbey east to Ponoka, plus gravelled municipal roads in the immediate plant area. Operation of the plant without a rail line would be uneconomical. The entire project is another indication of the tremendous increase in economic development which has occurred in Alberta since the discovery of oil in the Leduc field in 1947. The export of sulphur and other products will be in the interest of the Canadian economy.

Mr. DUMAS: Would you please tell us how many tons of sulphur will be produced daily?

Mr. COLPITTS: One hundred and ninety-six tons.

Mr. DUMAS: Do you know how many tons will be exported?

Mr. COLPITTS: It is estimated that 90 per cent would be exported.

Mr. DUMAS: You say 90 per cent?

Mr. COLPITTS: Yes, and that is very close to 180 tons.

Mr. DUMAS: And the rest will be sold in eastern Canada?

Mr. COLPITTS: I understand that is the case.

Mr. MCBAIN: Is this British American Oil Company plant under construction?

Mr. COLPITTS: I believe it is, sir. I believe they have started the construction of the plant.

Mr. MCBAIN: But there are no products being manufactured as yet?

Mr. COLPITTS: No.

Mr. SPEAKMAN: If I may say so, Mr. Chairman, the plant is in partial operation at the moment, but not officially opened. It is expected to be officially opened toward the latter part of April or early May.

Mr. MCBAIN: How is it proposed to transport this sulphur from the plant before the line is constructed? Is it intended that trucks be used?

Mr. COLPITTS: Before we have the rail line in, they probably will stockpile the sulphur and load it later.

Mr. SPEAKMAN: There are provisions made for stockpiling.

Mr. BALDWIN: Mr. Chairman, I have a supplementary question to that of Mr. Dumas'. Have you made an economic survey or have you relied on the statements of the British American Oil Company as to the ability of the world market to absorb sulphur over a long period of time?

Mr. COLPITTS: We have relied on the British American Oil Company.

Mr. BALDWIN: Have you any agreement with the British American Oil Company as to guaranteed revenue over a period of time?

Mr. COLPITTS: Yes, it is in the course of preparation at the present time.

Mr. BALDWIN: I think some details were given at the meeting before the Senate.

Mr. COLPITTS: Yes.

Mr. BALDWIN: Could you outline briefly what these facts are?

Mr. COLPITTS: For the first five-year period we are asking a revenue of \$2,500,000 gross, and for each additional year \$750,000, until a guarantee of \$13,800,000 has been reached.

Mr. BALDWIN: Is that revenue over the 8.24 miles which is going to be constructed, or is it revenue from that plus the carriage of these goods over the remainder of your line?

Mr. COLPITTS: I understand that is the total revenue paid to us. It is not just for the 8½ miles.

Mr. BALDWIN: I have just one further question. Have you any idea how many men will be employed as a result of the construction of this plant?

Mr. COLPITTS: No sir.

Mr. SPEAKMAN: Approximately 65 men will operate the plant.

The CHAIRMAN: Have you some questions, Mr. Chevrier?

Mr. CHEVRIER: Yes. What is the cost of the line?

Mr. COLPITTS: The cost of the line is \$690,000.

Mr. CHEVRIER: And what amount does that work out to per mile?

Mr. COLPITTS: About \$83,000.

Mr. CHEVRIER: How does the per mile cost of constructing that railway line compare with, say, the last branch line which the C.P.R. has constructed?

Mr. COLPITTS: It is in that area, sir.

Mr. CHEVRIER: You say that you have made sort of an arrangement with the property owners; have you actually expropriated the land?

Mr. COLPITTS: The British American Oil Company arranged that, and I believe they have the property now. They have options and I am not sure whether they have exercised them as yet, but, so far as it has gone, the matter has been amicably settled.

Mr. CHEVRIER: Then, how do you break down the \$2½ million that you expect to receive during the first five-year period?

Mr. COLPITTS: That will be on the basis of gross revenue. The details are being worked out now.

Mr. CHEVRIER: Could the committee have some indication of what the freight rate is going to be?

Mr. COLPITTS: I have no idea of the freight rate, as it is not within my jurisdiction.

Mr. CHEVRIER: Well, is there not someone here who could tell us what the railway is expected to receive for the movement of the sulphur and other products?

Mr. COLPITTS: No, sir, not to my knowledge.

Mr. CHEVRIER: Well, may I pursue that a bit further. What are the other items apart from freight rate? There is \$2½ million gross revenue.

Mr. COLPITTS: That would be the freight, sir.

Mr. CHEVRIER: Is there going to be any movement of passengers?

Mr. COLPITTS: No sir.

Mr. CHEVRIER: There will be no passengers?

Mr. COLPITTS: No.

Mr. CHEVRIER: How did you come to fix the figure of \$13 million as the capital amount required, I presume, to be amortized over a period of years?

Mr. COLPITTS: That would be the amount which would be required to give us a reasonable return on our investment.

Mr. CHEVRIER: Over a period of how long?

Mr. COLPITTS: Until the \$13 million is used up. On this basis it would work out to about sixteen years.

Mr. CHEVRIER: Are you aware that for a short line like this it is not necessary, in the case of the C.N.R., to go to parliament, or is that the case with you?

Mr. COLPITTS: In our case I understand that for anything over six miles we have to come.

Mr. CHEVRIER: Yes, that is the point.

The CHAIRMAN: Are there any further questions?

Mr. ROGERS: Did I understand you to say that there was going to be a station there?

Mr. COLPITTS: At which end?

Mr. ROGERS: At the British American Oil Company plant end.

Mr. COLPITTS: Not to my knowledge. There will be some yard tracks there, and the agent will be located at Rimbey.

Mr. SPEAKMAN: Mr. Chairman, I am given to understand from the freight department of the C.P.R. that they expect they will have to have an agent at the plant and, possibly, a helper.

Mr. ROGERS: To carry that matter further, will it be open for other business?

Mr. COLPITTS: Yes; we would carry other business, if it was offered.

Mr. CHEVRIER: You have to carry other business?

Mr. COLPITTS: Yes.

Mr. CHEVRIER: That is a requirement of the Railway Act.

Mr. COLPITTS: Yes.

Mr. ROGERS: You are a common carrier there.

Mr. COLPITTS: Yes.

Mr. BALDWIN: Have you any idea of the total tonnage that will be generated on a yearly basis as the result of the construction of this line?

Mr. COLPITTS: I am sorry, but I do not have that information.

Mr. CHEVRIER: Perhaps Mr. Speakman could tell us, if he knows, what freight rate is to be charged.

Mr. SPEAKMAN: I have no information as to rates. However, I do have an approximation on a carload basis, from the freight department as to the traffic which is expected.

It is expected that the propane will take approximately ten carloads per day, or 68,000 gallons; approximately ten carloads or 98,000 gallons of butane and approximately 17 carloads or 325,000 gallons of pentanes plus, and approximately five carloads of sulphur, which is approximately 50 carloads. The figure they gave me was 233 long tons of sulphur a day.

The CHAIRMAN: Perhaps Mr. Gorman would obtain the information in regard to the freight rates, when it is available, and let you have it.

Mr. CHEVRIER: I think the committee should have that information.

The CHAIRMAN: Could you telephone someone and find that information out for us?

Mr. GORMAN: Yes. Would it be your wish that I do so at this moment?

Mr. HORNER (*Acadia*): I do not think that is necessary.

Mr. BALDWIN: Perhaps my question would clear this up.

Would your rates not be fixed by tariff? This eight miles would be part of a much longer haul and it would be my thought that your rates would be fixed by tariff for the particular class of commodity which you are hauling. You do not have any knowledge of a specific rate fixed for this 8½ miles, but the tariff will be charged on the long haul, to the places where the commodities are being exported?

Mr. COLPITTS: Frankly, I could not say, sir.

Mr. CHEVRIER: Is it not true that before the line is built an agreement is made between the British American Oil Company and the C.P.R. as to what it will cost the oil company to move its products over the line and, if the rate is not attractive enough, they would not enter into the agreement?

Mr. COLPITTS: That is right.

Mr. CHEVRIER: And, it seems to me that it is that rate we should have here.

The CHAIRMAN: Any further questions, gentlemen? Shall the preamble be approved?

Mr. CHEVRIER: Mr. Chairman, we asked the witness a while ago if he could get the information?

Mr. SPEAKMAN: May I intervene? I asked the C.P.R. freight department for this information about two weeks ago, but they have not come to a full agreement as yet, so they cannot give it.

Mr. SMITH (*Simcoe North*): I just wonder about the value of this information. It may be interesting from the statistical point of view, but I am wondering about the value of the rate because, in effect, what we are dealing with is an extended spur line or siding, as it were, and the rates over eight miles would not be of any special significance. The rate will depend on the destination and the number of miles in Canada that the C.P.R. carries its product. For that reason it will not be of great value to get this information. I may be misunderstood.

Mr. CHEVRIER: The answer I would give to that is that in other cases we have asked for this information from the witnesses, and obtained it in a number of cases where railway lines have been built and the witnesses brought before the committee. So if it has been done in the past, it strikes me it could be done now. Otherwise, the committee will not know what the profit or loss of this line is going to be. We have a statement which appears, on the face of it, attractive, and we are entitled to break it down.

Mr. SMITH (*Simcoe North*): To continue with Mr. Chevrier's point, he has had far more experience than most of us; but on the other railroads we have been dealing with the extensions which have been, in essence, complete shipping propositions by the very terms of the proposed agreement. The C.P.R. is not building this line on the basis of the revenue it is to get from the eight miles. It is building a line on the basis of the entire revenue it is to get to its system by reason of this extended spur. I think that the circumstances are not completely analogous to some of the other railroads we have dealt with since I have been on the committee.

Mr. CHEVRIER: I do not want to pursue this indefinitely but I cannot accept the last statement by Mr. Smith. The witness just said that the amount required to guarantee the capital investment is \$13 million, and they hope to get that in how many years?

Mr. COLPITTS: It would work out in 16 years.

Mr. CHEVRIER: It is clear that this is the amount required for construction, and they expect to get it back after 16 years.

Mr. BALDWIN: Mr. Chairman, is it not a fact that that is the gross amount, and from that gross amount would have to be deducted that proportion of it which is the cost of carriage of these goods over the remainder of the line? Consequently, it is in the order of \$600,000—which is the cost of the line—and that is the amount that would have to be allocated.

Mr. CHEVRIER: I do not disagree with that. The only thing I would like to get is a breakdown and the manner in which it has been established, and since the witness said that the main amount of the revenue will come from freight rates, it would seem to me that we should have here for the record, the tariff.

The CHAIRMAN: Mr. Speakman indicated here that he had talked to the C.P.R. and they have not been able to give it to him as yet. They are in the process of working out the tariff of rates.

Mr. CHEVRIER: Is there any objection to making this information available in the record when it is obtained?

Mr. SMITH (*Simcoe North*): Maybe I could ask one more question. Is this agreement with the C.P.R. on an agreed charge basis, or is it on a tariff basis that will come under the normal process?

Mr. COLPITTS: I believe it is on the normal tariff, sir, but I would have to check that.

Mr. CHEVRIER: It could be on either, but with the amendment to the Railway Act which now permits agreed charges, it may well be that the C.P.R. has decided to enter into an agreement with the British American Oil Company under the Railway Act. But whether it is or not, and when the information is available, I think the committee should have it.

The CHAIRMAN: The only problem is whether it will delay the printing of the proceedings of the committee.

Mr. SMITH (*Simcoe North*): Could that statement be filed as an appendix when it is produced, and we could then proceed with the bill?

Mr. CHEVRIER: I do not think I am quite happy with that. I do not think we should interrupt the progress of this bill. This is an important matter. The only thing is, I thought we should have the information. If it is printed as an appendix, I would be satisfied.

Mr. SMITH (*Simcoe North*): I misunderstood Mr. Chevrier's motives.

Mr. CHEVRIER: You should not have, they are always good!

The CHAIRMAN: We will need a motion to have that information obtained and printed as an appendix to the minutes of proceedings.

One other thing; would the committee wish to include in that motion the printing of the map as an appendix? It is not necessary so to do.

Would you make a motion with regard to having that information regarding the tariff obtained and printed as an appendix?

Mr. CHEVRIER: I so move.

Mr. GORMAN: As a matter of procedure, Mr. Chairman, I understand that this information is not available now because the agreement has not been concluded as yet. Perhaps it will not be for some little time. I am wondering whether the bill can be proceeded with to third reading, and the information furnished when available?

Mr. CHEVRIER: That will not stop the bill from moving fast.

The CHAIRMAN: In that case, if there is going to be some delay in getting the appendix printed in the proceedings, then the bill might be delayed in the house, until we get the complete record printed.

Mr. SMITH (*Simcoe North*): No.

Mr. CHEVRIER: No.

The CHAIRMAN: I see it would not be available.

Some hon. MEMBERS: No.

Mr. CHEVRIER: No. As I understand this, Mr. Chairman, when you do get the information you print another page or two pages and attach it to proceedings No. 2 or No. 3, whichever it is. It should not delay the bill. That is not my intention. This is an important piece of legislation.

The CHAIRMAN: Moved by Mr. Chevrier, seconded by Mr. Lessard, that this information be obtained and printed as an appendix to a later proceedings of this committee.

Motion agreed to.

The CHAIRMAN: Shall the preamble carry?

Preamble agreed to.

Clauses 1 and 2 agreed to.

The CHAIRMAN: Shall the title carry?

Title agreed to.

The CHAIRMAN: Shall the bill carry without amendment?

Agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Agreed to.

The CHAIRMAN: Thank you, gentlemen. That is all the business we have today.

HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament

1960-61



STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

MONDAY, MAY 22, 1961.

Respecting

Bill C-93, An Act to amend the Freight Rates Reduction Act

Also appendix to Minutes of Proceedings and Evidence (No. 3) of
Wednesday, March 15, 1961

WITNESSES:

Hon. Léon Balcer, Minister of Transport; Messrs. Rod Kerr, Chief Commissioner; H. Ellicott, Director of Traffic; M. E. Burwash, Director of Economics; H. H. Griffin, Assistant Chief Commissioner, of The Board of Transport Commissioners; Mr. John Magee, Executive Secretary and Mr. George Montague, Secretary and Legal Counsel of Applied Economic Research Associates, of the Canadian Trucking Associations Inc.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: Martial Asselin, Esq.

and Messrs.

Allmark	Drysdale	McGregor
Badanai	Dumas	McPhillips
Baldwin	Fisher	Michaud
Bell (<i>Saint John-Albert</i>)	Garland	Monteith (<i>Verdun</i>)
Bourbonnais	Grills	Pascoe
Bourget	Hardie	Payne
Bourque	Horner (<i>Acadia</i>)	Phillips
Brassard (<i>Chicoutimi</i>)	Johnson	Pigeon
Brassard (<i>Lapointe</i>)	Keays	Pitman
Browne (<i>Vancouver-Kingsway</i>)	Kennedy	Rapp
Bruchesi	Lessard	Rogers
Cadieu	MacInnis	Rynard
Campbell (<i>Stormont</i>)	MacLean (<i>Winnipeg North Centre</i>)	Smith (<i>Lincoln</i>)
Campeau	Martin (<i>Essex East</i>)	Smith (<i>Simcoe North</i>)
Chevrier	Martini	Speakman
Chown	McBain	Thompson
Creaghan	McDonald	Tucker
Crouse	McFarlane	Valade
Denis	McGee	Woolliams
		Wratten—60.

Eric H. Jones,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, May 16, 1961.

Ordered.—That Bill C-93, An Act to amend the Freight Rates Reduction Act, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest

LÉON-J. RAYMOND
Clerk of the House.

MINUTES OF THE PROCEEDINGS

HOUSE OF COMMONS, Room 253-D.

MONDAY, May 22, 1961.

(5)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 o'clock a.m. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs. Badanai, Baldwin, Browne (*Vancouver-Kingsway*), Chevrier, Creaghan, Grills, Howe, Martin (*Essex East*), McFarlane, McPhillips, Monteith, Pascoe, Rapp, Rogers, Tucker, Woolliams.—(16).

In attendance: *From the Board of Transport Commissioners:* Hon. Léon Balcer, Minister of Transport; Messrs. Rod Kerr, Chief Commissioner; H. Ellicott, Assistant Director of Traffic; M. E. Burwash, Director of Economics; H. H. Griffin, Assistant Chief Commissioner. *From the Canadian Trucking Associations:* Mr. John Magee, Executive Secretary and Mr. George Montague, Secretary and Legal Counsel of Applied Economic Research Associates.

Before reaching the Orders of the Day the Chairman requested the Clerk to read the Order of Reference of Tuesday, May 16th whereby Bill C-93, An Act to amend the Freight Rates Reduction Act was referred to the Committee.

On motion of Mr. McFarlane, seconded by Mr. Badanai,

Resolved,—That pursuant to its Order of Reference of February 6, 1961, the Committee print, from day to day, 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in relation to the Bill now under consideration.

The Chairman reminded the Committee that a Resolution passed on March 15th, 1961 whereby it was ordered that a list of examples showing the rates to be charged on the products that would be shipped on the proposed branch line envisaged by the enactment of Bill S-13, An Act respecting the Canadian Pacific Railway Company, and stated that this was now available and, as ordered, would be appended to today's Minutes of Proceedings and Evidence but in fact would be an appendix to the Minutes of Proceedings and Evidence (No. 3) of March 15th. (*See appendix hereto*)

The Committee discussed briefly the method of dealing with the Bill whereafter Clause 1 was considered.

The minister, Hon. Mr. Balcer made a short statement, introduced the officials of the Board of Transport Commissioners and answered a few questions relating to Bill C-93.

Messrs. Rod Kerr, H. Ellicott, M. E. Burwash and H. H. Griffin were in turn examined.

The Committee having reached the hour for adjournment and some discussion thereon having taken place, Mr Baldwin moved, seconded by Mr. Browne (*Vancouver-Kingsway*), that the Committee take recess and resume consideration of Bill C-93 at 2.00 o'clock this day.

And the question having been put on the proposed motion of Mr. Baldwin it was resolved in the affirmative, on division.

At 11.00 o'clock a.m. the Committee took recess.

AFTERNOON SITTING

(6)

The Committee resumed at 2.00 p.m. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs. Badanai, Baldwin, Bourque, Browne (*Vancouver-Kingsway*), Grills, Howe, Keays, Lessard, Martini, McBain, McFarlane, McPhillips, Monteith, Rapp, Rogers, Smith (*Lincoln*), Tucker, Woolliams.—(18).

In attendance: The same as those mentioned in attendance at the morning sitting.

The Committee continued consideration of Bill C-93, An Act to amend the Freight Rates Reduction Act.

At the suggestion of Mr. Browne (*Vancouver-Kingsway*), and Mr. Phillips, it was agreed that the Committee proceed with hearing the representations by the Canadian Truckers Associations Inc.

Mr. Magee read a brief at the conclusion of which, on motion of Mr. Woolliams, seconded by Mr. Browne (*Vancouver-Kingsway*), it was agreed that the amendments proposed by the Associations be taken as read and printed into the record.

Mr. Magee and Mr. Montague were questioned on the brief.

At the conclusion, the Chairman thanked the witnesses for their attendance and contribution and they retired.

Mr. Badanai moved, seconded by Mr. Lessard, that the Committee adjourn the study of Bill C-93 until a time and day when Bill C-94 is disposed of or is not under consideration in the House.

After debate thereon, and the question having been put on the proposed motion of Mr. Badanai, the Committee divided as follows: YEAS, 4; NAYS, 4; ABSTENTIONS, 2.

The question was then resolved in the affirmative by the casting vote of the Chairman in favour of the said proposed motion.

At 4.30 o'clock p.m., on motion of Mr. McFarlane, seconded by Mr. Badanai, the Committee adjourned to meet again at 3.00 o'clock p.m. on Wednesday, May 24th.

Antoine Chassé,
Clerk of the Committee.

EVIDENCE

MONDAY, May 22, 1961.

The CHAIRMAN: Gentlemen, I see a quorum and I shall ask the Clerk to read the order of reference for this morning.

The CLERK OF THE COMMITTEE: Tuesday, May 16, 1961, ORDERED: That bill C-93, an Act to amend the Freight Rates Reduction Act be referred to the standing committee on railways, canals and telegraph lines.

The CHAIRMAN: The first order of business is in regard to printing. It is customary to print 750 copies in English and 250 copies in French. Will someone so move?

Mr. McFARLANE: I move that pursuant to order of reference of February 6, 1961, the committee print 750 copies in English and 250 copies in French of its minutes of proceedings and evidence in relation to the study of bill C-93, an Act to amend the Freight Rates Reduction Act.

Mr. BADANAI: I second that.

The CHAIRMAN: All in favour, please put up their hands.

I declare the motion carried.

Gentlemen, at our last meeting when we were discussing bill S-13, an act respecting the Canadian Pacific Railway Company, Mr. Chevrier asked for the rates on sulphur, propane and butane from the British American oil company, Rimbey, Alberta, to representative points. That was not available at our last meeting, but a motion was passed whereby it would appear as an appendix to today's proceedings.

Now we are on Bill C-93.

Mr. CHEVRIER: Before we get to bill C-93 I am just wondering what procedure you propose to follow.

I am thinking of the position in the house. Of course, I do not know how long the discussion is going to take on this bill but it is an important bill, and I presume that the officers of the board of transport commissioners and the representatives of the trucking companies will want to make representations. At present there are two bills before the house which the minister has to sponsor, one bill C-94, an act to amend the Canadian National Railways Act and the other to do with the Canada Shipping Act, which is a pretty voluminous document. I have looked at it over the weekend and there must be over 100 sections in it, unless I am mistaken. If the work of this committee is not done, if we do not complete our work by 11 o'clock, I take it we shall go back to the house; but I want to ask, is it the intention to sit after that while the house is sitting, although the minister will not be here?

The CHAIRMAN: That, of course, is up to the committee. We have a motion to sit when the house is sitting. That has been approved but I feel we could probably leave this business until approximately a quarter to eleven, and then see how we have got along with this bill. At that time we can make a decision as to whether we shall sit in the afternoon, according to whether the minister is going to be here or has to be in the house.

Mr. CHEVRIER: I do not want to delay the proceedings of the committee but I should like to be in the house for the discussion on these two matters which the minister is going to bring up. If the truckers are going to make representations, which I understand they are, we shall want to give some

time to their brief. That was the reason I brought the matter up,—to know what the position is,—because I feel that the priority is with the House of Commons, important as the meetings of this committee are.

Mr. MARTIN (*Essex East*): Mr. Chairman, I should simply like to say that while I would personally have no objection to postponing the decision until a quarter to eleven, as you suggest, if that is your wish, I do not see what we are going to gain because the position that must be taken at that time would be the same as that which is now put forward.

It is conceivable that if this bill requires the attendance of the minister in the committee at this stage, then it also requires the minister's attendance during any period of discussion which might be projected after the hour of 11 o'clock. In any event, it is inconceivable that the committee would want to proceed with its deliberations, in view of the fact that we are dealing in the House of Commons this morning, as the first order of business, with the amendments to the Canada Shipping Act. That means, of course, that the minister must be in the house and, under our practices, the hon. member for Laurier, who is the spokesman for the Liberal Party on transportation matters, himself a former Minister of Transport, must likewise be in the house. To assume we could go on beyond 11 o'clock, under those circumstances in this committee, I think you would regard as a travesty of parliamentary privilege, and also an act that would be inconsistent with the declarations we have had from the Prime Minister in the House of Commons as to the way in which we would be afforded an opportunity to discharge our functions.

I think we might as well resolve this question at this moment. If it is postponed until 10:45 I have no objection, but it would be duplicating the discussion.

Mr. BROWNE (*Vancouver-Kingsway*): I should like to add that while I am certainly in sympathy with what the hon. member for Laurier has said, and I do not think anyone would want to deprive him of the right of being in the house, I think we are dealing with something that may not even occur. I feel we would be somehow wasting our time now in devoting our attention to when the committee would sit again, when it is quite conceivable that it may not be necessary to sit again. I hope it will not take that length of time.

Mr. BALDWIN: I agree with Mr. Browne. There is always the possibility that much of our time may be engaged in procedural wrangling. I feel we ought to hear the minister's statement, which I assume he will be making, or at least have a preliminary examination, and then at a quarter to eleven come to a conclusion as to where we go from there.

The CHAIRMAN: If we decide at a quarter to eleven not to meet this afternoon, knowing the situation with regard to house committees we might not be able to get another meeting until Friday. Knowing the difficulty of getting time for committees to meet on Tuesdays, Wednesdays and Thursdays it might not be possible to get another meeting of this committee until Friday of this week, which would be quite a delay. I do not say that it is an unnecessary delay, but it would hold this question in abeyance for quite a while.

Mr. CHEVRIER: May I ask if there are any representations to be heard before the committee?

The CHAIRMAN: The Canadian Trucking Associations are here. We had them last year and on that occasion they did not take too much of the time of the committee.

Mr. BALDWIN: Have any of the provincial governments indicated they would be represented?

The CHAIRMAN: No.

On clause 1, does the minister wish to make a statement or to introduce the members of the board of transport commissioners who are here to explain the purpose of the bill?

Hon. LEON BALCER (*Minister of Transport*): Mr. Chairman, as the committee knows, this bill is similar to a bill which was passed last year and was considered by the committee. I think it is the third time that the committee has considered a bill of this type. There are no important changes from other years. I have made two statements in the house on this matter. The bill has been discussed quite at length, so I think I will not add anything at the moment on it.

I have the privilege of introducing representatives of the board of transport commissioners who are here this morning. We have Mr. Rod Kerr, the chief commissioner; Mr. H. H. Griffin, the assistant chief commissioner; Mr. M. E. Burwash, the director of economics of the board; and Mr. H. W. Ellicott, assistant director of traffic of the board of transport commissioners.

The CHAIRMAN: Perhaps if you gentlemen would care to come forward here, if there are any questions you would be more available to answer them on this particular bill. Now, as the minister has introduced these gentlemen, are there any questions you wish to put in connection with Bill C-93 at this time?

Mr. CHEVRIER: I would like to ask a few questions, if I may. Perhaps the chief commissioner might be good enough to answer them. This bill, sir, is an extension of the first such bill which was passed, I believe, in July of 1959 following an order of the board concerning an application made by the railways association of Canada in which freight rates were increased by 17 per cent.

Mr. KERR: That is right. The railways applied for 19 per cent.

Mr. CHEVRIER: The provinces and others appealed the decision under the requisite section of the Railway Act to the governor in council; and after some time the appeal was dismissed.

Mr. KERR: That is right.

Mr. CHEVRIER: Can you give us the date of the decision of the board of transport commissioners under this order which is set out here, number 96300, increasing the freight rates by 17 per cent?

Mr. KERR: Yes. The date of the board's judgment was November 17, 1958.

Mr. CHEVRIER: When was the appeal to the governor in council?

Mr. KERR: It was taken immediately.

Mr. CHEVRIER: When was the decision rendered by the governor in council declining the appeal?

Mr. KERR: On November 26, 1958, order in council p.c. 1958-1596.

Mr. CHEVRIER: Did you issue an order under the Railway Act authorizing the increase?

Mr. KERR: The order authorizing the increase was given the same date as the judgment, and it was from that order that the provinces took the appeal to the governor in council.

Mr. CHEVRIER: Then the appeal was dismissed on November 26, 1958. Did that mean that after November 26, 1958, when the appeal was dismissed, the order went into effect?

Mr. KERR: That is right.

Mr. CHEVRIER: Increasing the freight rates?

Mr. KERR: That is right.

Mr. CHEVRIER: How long did that order remain in effect and the freight rate increase operate until some act was done, to which I will refer in a moment?

Mr. KERR: The Freight Rates Reduction Act came into force on July 8, 1959, and the first reduction—

Mr. CHEVRIER: So that the 17 per cent was in operation from November 26, 1958, until July 8, 1959?

Mr. KERR: A little longer than that, Mr. Chevrier. After the act came into effect, the board issued its order directing the railways to reduce the rates from 17 per cent level to 10 per cent level, and that first reduction in the rates came into effect on August 1, 1959.

Mr. CHEVRIER: Then, for the period August 1, 1959 until the term of the Freight Rates Reduction Act, which was one year, the freight rate increase was 10 per cent?

Mr. KERR: Not for the entire term, Mr. Chevrier. The board found that the \$20 million would do a little better than to reduce the level to the 10 per cent level, and it made a second reduction reducing the level to 8 per cent and those reduced rates on the 8 per cent level became effective early in May, 1960.

Mr. CHEVRIER: Did that reduction to 8 per cent follow the first Freight Rates Reduction Act of 1959?

Mr. KERR: Yes.

Mr. CHEVRIER: Now, what rates are affected by this order, I mean the order that we are dealing with, the one which reduced the rates from 17 per cent to an increase of 8 per cent?

Mr. KERR: The rates that were taking the full 17 per cent when the act came into force.

Mr. CHEVRIER: What are they?

Mr. KERR: I can do no better, Mr. Chevrier, than to give very much the same description as the minister gave in the house.

Mr. CHEVRIER: In order to make it faster, to move more quickly, are there other than class and commodity rates affected by the order?

Mr. KERR: No, just the normal—the so-called normal class rates and commodity rates, excepting competitive rates.

Mr. CHEVRIER: I would like to go a step further. Then you issued another order when the Freight Rates Reduction Act passed in 1959 came to an end, after a period of 12 months.

Mr. KERR: Yes. That order was issued to continue the reduced rates at the 10 per cent level, or rather, at the 8 per cent level.

Mr. CHEVRIER: What was the date of the order?

Mr. KERR: That was dated July 28, 1960.

Mr. CHEVRIER: And that was for a period of nine months?

Mr. KERR: That is right.

Mr. CHEVRIER: That nine months expired on the 30th April, 1961?

Mr. KERR: Yes, sir.

Mr. CHEVRIER: Did the board of transport commissioners receive any indication that this legislation was going to be enacted prior to the 30th April, 1961?

Mr. KERR: The resolution was published, sir.

Mr. CHEVRIER: The resolution which appeared on the order paper?

Mr. KERR: Yes.

Mr. CHEVRIER: And that appeared about two days,—two or three days before?

Mr. KERR: I have not got the exact date here.

Mr. CHEVRIER: Well, in any event, you received no notice other than that which appeared on the order paper?

Mr. KERR: That is right.

Mr. CHEVRIER: May I ask you this? Were the railways in communication with the board about what was going to happen prior to 30th April, 1961?

Mr. KERR: They had discussions with our traffic branch.

Mr. CHEVRIER: Could you tell the committee what the discussions were?

Mr. KERR: Yes, I think so. Mr. Ellicott, the assistant director of traffic, perhaps knows them.

Mr. H. W. ELLICOTT (*Assistant Director of Traffic, Board of Transport Commissioners*): The discussions were as to what would happen if the act were not extended. We gave the railways permission to put into effect the 17 per cent increase, as there was no authority to extend the rollback.

Mr. CHEVRIER: Was that done by order of the board?

Mr. ELLICOTT: That was a technical tariff act, done by special permission.

Mr. CHEVRIER: Under the Railway Act?

Mr. ELLICOTT: Under the Railway Act, but the railways did not take that action; they extended the rollback basis on their own account.

Mr. CHEVRIER: The railways may reduce the rates if they wish to do so, of their own volition?

Mr. ELLICOTT: That is right.

Mr. CHEVRIER: Does that require any notice to the public?

Mr. ELLICOTT: Three days notice.

Mr. CHEVRIER: What I would like to know is, when the other two acts were passed, this is the third Freight Rates Reduction Act?

Mr. ELLICOTT: That is right.

Mr. CHEVRIER: Did the railways get any notice of what was going to happen, so that they could advise the shipper by filing the usual tariffs—or were you there?

Mr. ELLICOTT: I was there. When they filed those tariffs they were putting into effect a reduction.

Mr. CHEVRIER: I am thinking of 1959, when the first act was passed, to reduce the rates from 17 per cent to 10 per cent and then to 8 per cent.

Mr. KERR: That act was before the house for some considerable time, because it went through the various stages, if that is what you have in mind.

Mr. CHEVRIER: That is quite correct. What about the other act which extended the one which was passed in 1960, which extended the 1959 act?

Mr. KERR: The first reading of the Bill C-81, which is the 1960 act, was on June 28, 1960.

Mr. CHEVRIER: In other words, the railways had ample notice, as had the board, of what was going to happen?

Mr. KERR: Well, there was that notice of the legislation. They had the notice which was given by the introduction of the legislation.

Mr. CHEVRIER: Which you did not have in connection with this bill, save when you saw it on the order paper?

Mr. KERR: That is right.

Mr. CHEVRIER: That is why the board of transport commissioners had to give the railways the alternative, either to increase the rates to 17 per cent, or to extend the reduction of 8 per cent?

Mr. KERR: I think they had that alternative in the absence of legislation.

Mr. CHEVRIER: But they did not have the alternative to increase them?

Mr. KERR: They had the alternative to put them back at the 17 per cent level.

Mr. CHEVRIER: Not without an order of the board.

Mr. KERR: Technical permission. The act provides that tariffs increasing rates are on 30 days notice, or such notice as the board may give.

Mr. CHEVRIER: How could they give 30 days notice if you were only told when you saw the notice on the order paper? Is not the fact this, that when you saw the position in which the railways were, you in effect told them, either by order or verbally, that they could, because of the uncertain position which they were in, either increase the rates or reduce, until the government had made up its mind as to what it was going to do with the Freight Rates Reduction Act?

Mr. KERR: I do not think that is telling the whole story, Mr. Chevrier.

Mr. CHEVRIER: Then would you tell us the whole story?

Mr. BALDWIN: May I ask a supplementary question?

Mr. CHEVRIER: Would you allow the witness to finish this first, please?

Mr. KERR: I was going to say that the railways did not really have to be told by the board about the alternatives they had. They knew the alternatives. They were waiting to see if the Freight Rates Reduction Act would be extended or not.

Mr. BALDWIN: In clarification, is it not a fact that the board made an order which was in effect affirmed by the decision of the governor in council on November 26, 1958, permitting a 17 per cent increase—and I assume tariffs would be filed to that effect in due course.

Mr. KERR: That is right.

Mr. BALDWIN: Then, to prevent that increase coming into effect, the first act was passed in 1959?

Mr. KERR: The increase had come into effect. It was reduced by virtue of the act.

Mr. BALDWIN: To prevent the full increase coming into effect, legislation was passed in 1959 and that legislation was extended in 1960. Now, is it not a fact that, in view of the point raised by Mr. Chevrier, on the February, 1960, legislation, the period which the 1960 legislation had in mind had expired, that automatically the railways would be driven back to the increase given by your order of November 17, 1958.

Mr. KERR: They would not automatically be driven back to that extent. When our order expired, the railways would have certain alternatives. They would have to file new tariff supplements.

Mr. BALDWIN: When I used the words "driven back" I should have said they would have had an opportunity, if they wished, to go back to the order of November 17, 1958?

Mr. KERR: Yes.

Mr. CHEVRIER: Following that up, is it not a fact that the railways had to file new tariffs?

Mr. KERR: That is right.

Mr. CHEVRIER: And new tariffs affect about 60,000 or 65,000 items in the Freight Rates Reduction Act; and that is quite a job?

Mr. KERR: There is quite a number.

Mr. CHEVRIER: That is a job which cannot be done overnight, and certainly cannot be done by two or three days notice. That is why the Railway Act requires notice of 30 days when an increase of that nature comes into effect?

Mr. ELLICOTT: That is so. They accomplish this through the means of a master tariff. Each tariff is connected to the master tariff by a connecting link supplement. In the master tariff you have two tables—the original 17 per cent increase and the rollback basis of 8 per cent; but your tariff on the 8 per cent basis is referenced that it will expire on April 30, 1961. In effect what the railways have done to continue the 8 per cent basis is to extend that expiry date to April 30, 1962, that is the tariff mechanics of putting it into effect.

Mr. CHEVRIER: Could I ask the minister a question? Will the minister tell the committee when the decision was taken to continue the Freight Rates Reduction Act?

Mr. BALCER: You mean, when this resolution was put on the order paper?

Mr. CHEVRIER: When the resolution was put on the order paper, the decision was taken?

Mr. BALCER: Yes.

Mr. CHEVRIER: And the decision had not been taken before that time?

Mr. BALCER: Well, you mean—

Mr. CHEVRIER: When you announced it in the house and by means of the resolution on the order paper, that was the first time the public received notice that this act was going to be renewed for a period of one year under the terms and conditions referred to?

Mr. BALCER: Yes, it was the first time that the intention of the government was made public.

Mr. CHEVRIER: Why was it that the government waited so long? Why did the government wait so long as compared to the previous extension wherein the railways and the public received quite a lengthy notice?

Mr. BALCER: I beg your pardon? I missed the first part of the question.

Mr. CHEVRIER: Why did the government wait so long in arriving at a decision this time as compared to the earlier act when the extension was made and at least the 30 days notice was given?

Mr. BALCER: We had just received the MacPherson commission report and the government was giving extensive consideration to that report.

Mr. CHEVRIER: When the resolution appeared on the order paper, you had the MacPherson report in your hands quite some time before that, a matter of several weeks.

Mr. BALCER: A few weeks, yes.

Mr. CHEVRIER: I would like to ask the chief commissioner what the board has done under P.C. 1487, and the work it has done with reference to equalization of freight rates. I understand that the board proceeded under P.C. 1487 to equalize freight rates across Canada and has handed down a number of reports. I wonder whether the director of economics or the chief commissioner could not give the committee a statement which could be useful to us in these or other discussions in connection with freight rate equalization.

Mr. BALDWIN: I wonder if Mr. Chevrier could outline P.C. 1487?

Mr. CHEVRIER: P.C. 1487 was an order in council passed—I have forgotten the date but would have to look it up—under a former administration, prior to the recommendations of the royal commission on transportation and

confirmed by the recommendations of the royal commission on transportation to equalize freight rates in Canada. I put on the record during the debate the terms of that order in council, and what was required to be done. I would like to know now just what has been accomplished.

Mr. BALDWIN: When you say the royal commission on transportation, that is the Turgeon report, as it is commonly known?

Mr. KERR: I hesitate to speak on freight rates. I am the last person in the world to pretend to be a freight rates expert, but I do know that the board made several reports that were tabled in parliament in respect of the equalization of freight rates. The first one was on December 12, 1952.

Mr. CHEVRIER: Could you tell us briefly under what authority that report was made and what it did?

Mr. ELLICOTT: Section 336 of the Railway Act—national freight rates policy—and also P.C. 1487.

Mr. CHEVRIER: Could you tell us in a word just what that interim report recommended or did?

Mr. ELLICOTT: The judgment of the board and the order was issued on February 28, 1955. That equalized all the class rates in Canada, except within the maritime provinces, which were excepted under section 336 of the Railway Act.

Mr. BADANAI: Did that apply to northwestern Ontario?

Mr. ELLICOTT: That was included under the equalized class rates.

Mr. BADANAI: Do I understand that this bill will eliminate the distortion caused by horizontal increases in freight rates?

Mr. ELLICOTT: No.

Mr. BADANAI: When can we expect some action equalizing freight rates across Canada?

Mr. ELLICOTT: I understand that the matter of horizontal increases is being dealt with by the royal commission on transportation.

Mr. WOOLLIAMS: Could we have a definition of class rates?

Mr. ELLICOTT: The maximum or ceiling rates charged by the railways for the transportation of any commodity within Canada.

Mr. BROWNE (*Vancouver-Kingsway*): I wonder if I might ask Mr. Kerr a couple of questions. First of all, in regard to the equalization which Mr. Chevrier has been talking about, this does not of course apply to competitive rates, or to agreed charges on the railway?

Mr. KERR: That is right.

Mr. BROWNE (*Vancouver-Kingsway*): Therefore the rates could not be said to be equalized because of that fact?

Mr. KERR: Parliament excluded those rates from equalization under section 336.

Mr. BROWNE (*Vancouver-Kingsway*): You have told us that under this present act you first of all reduced these rates to 10 per cent and then to 8 per cent from the original increase. Was that second drop, from 10 per cent to 8 per cent, brought about by the fact that the non-competitive rates are becoming less of a factor in rates?

Mr. KERR: That might have been a factor, but the primary reason was cost. When the board made its first estimate of how far the \$20 million would go over a 12 month period, we were then working on the most recent estimates we had of traffic for 1959, and they were the estimates that the railways put on the record in the 19 per cent case which resulted in a 17 per cent increase; and on the basis of the estimates they had then given, the board felt that the

\$20 million would be used up over a 12 month period by a seven percentage point reduction. After a few months, and having the experience of the actual traffic that was being carried under the 17 per cent rates reduced to the 10 per cent level, it was apparent that if we had continued the seven percentage point reduction, the \$20 million would not be used up. The board felt at that time that the \$20 million could carry on additional two percentage point reduction, and it was brought down to eight. I think it is perhaps pertinent at this time to say this, that during the ten-month period from May, 1960, to February, 1961—and that is the latest month for which we have figures—during that ten month period during which the reduction was nine percentage points, that is down to the 8 per cent level, for that period that reduction represents a rate of \$20.6 million per year; so for the past 20 months the \$20 million available has been used up at a little more than the \$20 million level.

Mr. BROWNE (*Vancouver-Kingsway*): Is it not true that during that time the railways have entered into a number of agreed charges and they must have introduced a number of competitive rates so that goods originally at the maximum rates, which must have come under this act were removed from that because of the number of agreed charges entered into by the railways.

Mr. KERR: I think it may have played some part.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, it showed that the non-competitive rates are diminishing in the freight rate structure.

Mr. KERR: That is right.

The CHAIRMAN: Are there any further questions?

Mr. CHEVRIER: I would like to continue my questioning. I was interrupted in my examination. I have no objection, of course.

I wonder if you could put on record the terms of reference of the order which you said was made on December 12, 1952?

Mr. ELLICOTT: PC-1487, you mean?

Mr. CHEVRIER: Yes.

Mr. ELLICOTT: Do you wish me to read it? It is about a page long.

Mr. CHEVRIER: It should go on the record.

Mr. ELLICOTT: It is "Certified to be a true copy of a minute..."

Mr. CHEVRIER: Could you not read just the pertinent paragraph that has to do with the object, without reading the whole of the order in council? Could you read the direction to the board of transport commissioners to equalize freight rates?

Mr. ELLICOTT: That would be the last paragraph.

The committee, accordingly, advise that the board of transport commissioners for Canada be directed to undertake a general freight rates investigation along the lines indicated in the preceding paragraph subject to such special statutory provisions as affect freight rates.

The CHAIRMAN: Could you indicate the number of that order of reference?

Mr. ELLICOTT: Page 4 of PC-1487 contained in the interim report to His Excellency the Governor General in Council on the equalization of freight rates, dated May 3, 1955.

Mr. CHEVRIER: Would you read the preceding paragraph which apparently governs this paragraph?

Mr. ELLICOTT:

The committee also observe that since decision was rendered upon the investigation referred to in the preceding paragraphs, namely by judgments of the said board of September 1927, many changes have taken

place in the economy of Canada and it is therefore advisable that the board of transport commissioners for Canada be directed to make a thorough investigation of the rates structure of railways and railway companies which are under the jurisdiction of parliament, with a view to the establishment of a fair and reasonable rates structure which will, under substantially similar circumstances and conditions, be equal in its application to all persons and localities so as to permit the freest possible interchange of commodities between the various provinces and territories of Canada and the extension of Canadian trade, both foreign and domestic, having due regard to the needs of agriculture and other basic industries.

Mr. CHEVRIER: Following that order, you made an interim order on February 28, 1955 on which the chief commissioner said earlier that all class rates in Canada except the competitive rates—with the exception of the maritime provinces—were equalized. Did you proceed to make further study of the equalization after that? I would like to get all of the reports which were made by the board under that order in council to equalize freight rates in Canada.

Mr. ELLICOTT: There was a further report by the board to His Excellency the Governor General in Council. This is dated September 23, 1957 and deals with the equalization of various commodity rates.

Mr. CHEVRIER: Would you tell us what it did in so far as the commodity rates are concerned?

Mr. ELLICOTT: I think probably this would be the pertinent part.

The CHAIRMAN: What are you reading?

Mr. ELLICOTT: Page 5, a further report to His Excellency the Governor General in Council on the equalization of freight rates, dated September 23, 1957.

The board considered it desirable that the seventeen scales in category No. 1 should be the first commodity mileage scales to be proceeded with, and the railways were called upon to submit equalized mileage scales for fourteen groups of these commodities. The three other commodities, namely lumber, grain, and pulpwood were set aside for later consideration for reasons which appear in the board's judgment of September 18, 1957 on equalization of commodity rates.

The fourteen scales referred to applied to the following commodities:

They are all listed here, do you want those read out?

Mr. CHEVRIER: No, but if you could tell me in one word what kind of commodities they cover?

Mr. ELLICOTT: Normal commodity rates.

Mr. CHEVRIER: Does it follow from that that it was possible to equalize these various scales in the commodity rate category?

Mr. ELLICOTT: Yes, that was done.

Mr. CHEVRIER: So that in the first report you equalized class rates and in the second report you equalized commodity rates? You made a start on the commodity rates; did you make an additional third report?

Mr. ELLICOTT: I think there is a third report.

Mr. BALDWIN: Before Mr. Chevrier leaves that point, could we have on record the definition of "commodity rates"? You have the definition of "class rates", but could we have on record what you mean by commodity rates?

Mr. ELLICOTT: The normal commodity rates would be below the ceiling or class rates. Commodity rates are lower than the class rates, they apply on

bulk commodities and other articles which are shipped in large quantities, such as steel, gravel, lumber, pulpwood, fruits and vegetables, newsprint, paper goods, sugar and so forth.

Mr. BALDWIN: It is not a term having a statutory meaning, but has grown from usage in the transportation business.

Mr. CHEVRIER: It is referred to in the Railway Act on a number of occasions, so it must have other than an ordinary meaning.

Mr. BALDWIN: But it has not got a specific definition?

Mr. CHEVRIER: Perhaps it has.

Mr. KERR: It has a definition; I am not sure it would be very helpful. The definition is in section 331 of the Railways Act, subsection 3 as follows:

A commodity rate is a rate applicable to an article described or named in the tariff containing the rate.

Mr. CHEVRIER: That is about as clear as anything.

Mr. BALDWIN: My point would be right, that since then usage has grown, and when you as chairman of the board use that term you mean something far more specific than this statutory term.

Mr. KERR: It is well known in the trade.

Mr. BROWNE (*Vancouver-Kingsway*): I wonder if I might interject a point here? Mr. Ellicott mentioned some of the items as moving under commodity rates; does that mean that those same articles could not move under agreed charges? Because some of them move under commodity rates, does it mean that all these move under commodity rates? It would mean there could be quite a discrimination in steel products, some under agreed charges, some under commodity rates, and some under normal rates.

Mr. KERR: Yes.

Mr. CHEVRIER: Was there a third report which was brought down and what did it do and what was its date?

Mr. ELLICOTT: This is a further report to His Excellency the Governor General in Council on equalization of freight rates dated December 22, 1958.

Mr. CHEVRIER: What did it do?

Mr. ELLICOTT: It outlined the history of the proceedings of the past equalization; it indicated the commencement of the seventy-six mileage scales within eastern Canada and western Canada, and listed the various ones that were under consideration, and also that coal and lumber were being given consideration. Those judgments have since gone out.

Mr. CHEVRIER: Mr. Browne referred to agreed charges, and those are agreed charges which are brought into effect by means of an amendment to the Transport Act. Could you give us the date of the amendment which authorized the railways to make agreements on the movement of certain goods with shippers?

Mr. ELLICOTT: The original statute went into effect in 1938, but the amendment was in 1955.

Mr. CHEVRIER: Between 1938 and 1955 were there many agreed charges that were entered into by the railways?

Mr. ELLICOTT: There were a number, I cannot just tell you offhand.

Mr. CHEVRIER: They were not very numerous?

Mr. ELLICOTT: Not in comparison with present practice.

Mr. CHEVRIER: And in 1955, arising out of the amendment, they became more numerous?

Mr. ELLICOTT: Yes.

Mr. CHEVRIER: So that the equalization which the board had brought about in class and commodity rates up until 1955 would not be affected very much by agreed charges?

Mr. ELLICOTT: That is right, up until 1955.

Mr. CHEVRIER: Would you tell us what the position was in 1955; have you any idea what number of agreed charges were entered into by the railways and the shippers? You said 1,250?

Mr. ELLICOTT: It is approximately 1,250 issued since 1938. I cannot tell you the breakdown between 1938 and 1955, I would have to check that.

Mr. CHEVRIER: You made your third report on December 22, 1958; were there any further attempts by the board at equalization after that?

Mr. ELLICOTT: We have completed the judgment on fruits and vegetables. That went out on December 19, 1958, just about the same time.

Mr. CHEVRIER: What was that?

Mr. ELLICOTT: Equalizing all the fruit and vegetable rates.

The CHAIRMAN: What reference was that?

Mr. ELLICOTT: That was contained in the board's judgment dated December 19, 1958 and it is entitled "in the matter of the general freight rates investigation directed by order in council PC-1487, section 336 of the Railway Act re commodity freight rates on fresh fruits and vegetables."

Mr. CHEVRIER: Was there any further equalization after that?

Mr. ELLICOTT: There was lumber.

Mr. CHEVRIER: What was the date of that report?

Mr. ELLICOTT: September 15, 1959.

Mr. CHEVRIER: What was its effect?

Mr. ELLICOTT: The effect of this was that the board could not equalize the rates on lumber because there were too many competitive rates. This is the point Mr. Browne was making.

Mr. CHEVRIER: So that your order, in so far as lumber was concerned, was ineffectual?

Mr. ELLICOTT: That is right.

Mr. CHEVRIER: Was there any further report after that?

Mr. ELLICOTT: One on the seventy-six various commodity rates and on pulpwood—that was on March 31, 1960.

Mr. CHEVRIER: What was the effect of that order?

Mr. KERR: If I may speak to that, Mr. Chevrier, this was a case in which the rates in western Canada were considerably below the rates in eastern Canada. There was a hearing at which most of the parties opposed any equalization, and the question was considered by the board whether or not equalization should be compelled by order of the board. The board found that the royal commission on transportation, the commission which was presided over by the Hon. Mr. Turgeon, had indicated that the objective of equalization was something which could only be attained after considerable study by the board and by the railways; and the board concluded, from all that had been said, that what the royal commission and parliament had intended was as progressive a program of equalization as time and condition made reasonable. The board then said, in respect of pulpwood rates which, as I said, were lower in western Canada than in eastern Canada,—and equalization would raise the western rates,—

—we do not think that section 336—

That is the equalization section of the Railways Act—

—places upon the board or the railways an obligation to equalize the present pulpwood rates, which are subnormal rates that are in effect for only a temporary period by virtue of the freight rates reduction act and order of the board made thereunder.

Equalization of such rates would itself be only temporary and would increase a substantial body of rates beyond the level from which they were reduced by virtue of the latter act and order. The present situation, where parliament has passed special legislation to provide a so-called subsidy of \$20 million to bring about reduction, for a period not exceeding one year, of the rates that took the 17 per cent increase, is unique and appears to be temporary.

Unless required by section 336 to equalize rates that have taken the full impact of the 17 per cent and previous general percentage increases and that are now temporary subnormal rates by virtue of the freight rates reduction act—and we do not think there is such requirement at present—it is our opinion that the board should not compel further increases or reductions in such rates for equalization purposes, during the unique and temporary situation above mentioned.

The board then concluded:

If the normal pulpwood rates in effect when the hearing was held had continued, we would have directed an equalized scale as herein set forth—

—and that scale would have increased the western rates and reduced the eastern rates—

in order to implement the national freight rates policy, but no order to that effect will be made respecting the temporary rates. When temporary rates expire, equalization of the normal rates that take the place of the temporary rates will be proceeded with as time and conditions make possible.

Mr. CHEVRIER: That was a wise decision which I presume received the approval of the vast majority of shippers in western Canada.

Mr. KERR: So far as I know, and I think I do know it, we had no objection to it whatsoever from any part of Canada.

Mr. CHEVRIER: Was that the end of the equalization under PC-1487?

Mr. KERR: At the same time there was another judgment to the same effect dealing with what is called the seventy-six scales. It is a very lengthy judgment, and in some cases it was found that the matter was already taken care of, that natural course of events would look after them. But they could be equalized—they were in very much the same position as pulpwood—by virtue of the freight rates reduction act. The board therefore decided not to start meddling with them while that situation prevailed.

The CHAIRMAN: What was the date of that judgment?

Mr. KERR: The final judgment was on March 31, 1960.

Mr. CHEVRIER: Is that the last order under PC-1487?

Mr. KERR: Yes.

Mr. CHEVRIER: There has been none since then. Does the board consider that equalization as directed to it under that order in council is complete or has gone as far as it can go under the present conditions?

Mr. KERR: I think it has gone as far as it can go at the present time. If and when the subnormal rates flowing from the Freight Rates Reduction Act expire and the normal situation comes back in, the board will have to proceed

to equalize certain commodity rates—that are still unequal. It is a very difficult problem when you come to equalizing commodity rates because each one is made to meet a special condition. Special conditions in one part of the country may not be the same as in another. Each one is an individual problem, but some equalization can still be arrived at.

Mr. CHEVRIER: When you have a tariff structure of some 60,000 or 65,000 problems, it is not an easy matter to equalize either class or commodity rates.

May I ask you another question having to do with these class or commodity rates? Did you make a study or an analysis of the waybills before you entered into this whole question of equalization?

Mr. KERR: Mr. Burwash is our waybill director.

Mr. CHEVRIER: Perhaps the committee should know just what the waybill study has to do with equalization, and what the board of transport commissioners did by way of equalizing freight rates in connection with the study or analysis of the waybills.

Mr. M. E. BURWASH (*Director, Economics and Accounting, Board of Transport Commissioners*): The waybill study was undertaken in order to determine the pattern and what the movement was under various rates. It was based on a sampling of the traffic from which the board could determine the number of carloads, the weight and the revenue per ton mile.

Mr. CHEVRIER: Was that a long job?

Mr. BURWASH: It started in 1948, and normally it takes the board about seven months after the close of the year before the results are known. The waybills are received during the year and then they run about two months behind in the report by the railways. The processing, tabulating, and printing of the results takes us approximately another six or seven months. We now have a waybill analysis of results from 1949 to 1959.

Mr. CHEVRIER: Do you do this once a year?

Mr. BURWASH: This is now a continuing job. Every hundredth waybill is sent to the board; then it is analyzed and the results are put on I.B.M. machine cards.

Mr. CHEVRIER: What is the object of this study in relation to equalization of rates?

Mr. BURWASH: This study indicates where the traffic moves and under what rates. It also indicates the average revenue per ton mile for movement between the various points. We are able to separate it as between movements in the west and in the east, and those results were used for equalization. That would show the various revenues per ton mile for the mileages in western Canada as compared to eastern Canada.

Mr. CHEVRIER: Would you say it was of help to you in these reports you handed down which have been mentioned by the chief commissioner?

Mr. BURWASH: I believe it was essential to make some such study in order to proceed with equalization because these figures, or I should say traffic statistics, are not normally maintained from day to day on this basis. It is a very big job and even a one per cent sample requires a great deal of time on behalf of the railways. A one hundred per cent job would be almost out of the question.

Mr. CHEVRIER: Because of this study, will it be possible now and in the future to completely equalize class and commodity rates?

Mr. BURWASH: I would not be able to answer that question. I think that is a traffic matter.

Mr. CHEVRIER: Is it possible to get an answer to that question?

Mr. ELLICOTT: I would say roughly, Mr. Chevrier, that equalizations today on the normal rates and class rates are roughly 75 per cent to 80 per cent completed.

Mr. CHEVRIER: That is all I wanted.

Mr. WOOLLIAMS: I wish to thank Mr. Chevrier for bringing out this information, some of which is certainly interesting when one is dealing with freight rate commodities. Now, there is one commodity which affects western Canada very much and I should appreciate getting some information on it. All of us know that the Crowsnest Pass freight rates govern the transport of grain to the Great Lakes, but I wonder if some of the witnesses would describe to the committee the rates which govern the transport of grain from the Great Lakes to the eastern ports. Is that a commodity rate or what kind of rate is it?

Mr. ELLICOTT: From the Lakehead to eastern Canada?

Mr. WOOLLIAMS: That is right.

Mr. ELLICOTT: That would be a commodity rate. To the ports, they would be called export commodity rates.

Mr. WOOLLIAMS: Export commodity. Have there been any changes in those rates in the last six months or year?

Mr. ELLICOTT: There was a hearing into the at and east grain rates, and that was set aside or postponed by the government.

Mr. WOOLLIAMS: That was postponed by the federal cabinet?

Mr. KERR: Yes.

Mr. WOOLLIAMS: I should like a little detailed information on this because there is a considerable amount of misunderstanding throughout western Canada on the subject.

Mr. CHEVRIER: You were just going to make an answer, Mr. Kerr.

Mr. KERR: At and east rates were the subject of some extended hearings.

Mr. CHEVRIER: What did you call them?

Mr. KERR: At and east.

Mr. CHEVRIER: Oh yes, Atlantic and eastern.

Mr. KERR: No—At and east.

Mr. CHEVRIER: Does that stand for Atlantic?

Mr. KERR: At Buffalo and east. The railways filed tariffs increasing those rates.

Mr. WOOLLIAMS: But what were the increases? Is there a percentage you could give us, and what did the federal cabinet do in this regard?

Mr. CHEVRIER: Was it not 25 per cent roughly?

Mr. KERR: It varied in respect to different ports but—

Mr. MARTIN (*Essex East*): You did not do much about freight rates in Essex county.

Mr. KERR: I shall give you an example of Canadian Pacific rates. The rate from Port McNicoll to Montreal was 21.09 cents per one hundred pounds. The rates proposed by the railway were 23.50 cents, but with certain other amounts called absorptions. The net increase in respect to those rates would be 2.41 cents per one hundred pounds from Port McNicoll. To Three Rivers the net increase would be 6.41 cents, from Port McNicoll to Quebec 7.41 cents and to West St. John port 14.83 cents. All the commissioners of the board sat on the case and the board's judgment was given which allowed, I think, about half of the increase that the railways sought.

Mr. CREAGHAN: What was the date of the board's decision?

Mr. KERR: March 17, 1961.

Mr. WOOLLIAMS: This is a question which I think you may not be able to answer at the moment but, for example, could you tell us how much difference would the increase mean for a carload of number one or number two northern wheat? I know the increases were vetoed by the cabinet, but could you tell me what the increase would mean in round figures? I do not expect an answer this morning but, if we could get an answer some time, it would be most useful.

Mr. KERR: I do not think the judgment gives carload figures. It gives the figures in rates per one hundred pounds.

Mr. WOOLLIAMS: But what would it mean on the average carload of wheat?

Mr. KERR: That information can be obtained. The increase was suspended by the governor in council by order in council P.C. 1961-497, on March 30, 1961.

Mr. WOOLLIAMS: Was that a permanent suspension, or was it just held in temporary abeyance?

Mr. KERR: Until July 3, I think.

Mr. CREAGHAN: I am more interested in the administration of the bill which passed last year. In the first place, has the \$20 million authorized last year all been allocated and, if so, how many months transpired before the \$20 million disappeared?

Mr. KERR: Last year's act added nine months to the original twelve months and added \$15 million to the original \$20 million, so it was a continuing amount. There was no break at the end of the first twelve months.

Mr. CREAGHAN: Perhaps for the purpose of my question I should go back two years. Was the original \$20 million sufficient to cover the claims of the railways during a twelve months period?

Mr. KERR: I can give you round figures from the beginning of the reduction until the claims for the month of February of this year. The total amount which has been paid out until that time, in respect of the claims up until that time, was \$29.78 million of the \$35 million. That would leave about \$3½ million for the remaining months of the period. We do not know just how close those claims will come to using up the full amount of the \$35 million, but we think they would use up about 95 per cent of the \$35 million.

Mr. CREAGHAN: From what you have just said, then about \$30 million in round figures has been paid out by your board to the railway companies. In round figures, percentagewise, could you give us the allocations to the different railways?

Mr. KERR: The Canadian National received \$16.89 millions and the Canadian Pacific received \$11.98 million. The smaller companies received \$.91 million and the whole total came to \$29.78 million.

Mr. CREAGHAN: I assume they file claims every month, that your auditor goes over them and they are paid every month?

Mr. KERR: It takes several months after the end of a month for the claims to come in. It is normally two to three months after the end of the month.

Mr. CREAGHAN: Have any of the claims been disallowed for not being proper in form or in type?

Mr. KERR: We have had very few like that.

Mr. CREAGHAN: It would appear then that the amounts you received under legislation in the past have been sufficiently large to handle the claims you receive?

Mr. KERR: That is right. As I said a while ago, during ten months in which the 9 percentage points reduction was in effect the money was being used up at the rate of slightly more than \$20 million per year, actually \$20.6 million.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. BALDWIN: We have to settle the time for our next meeting.

The CHAIRMAN: The chair does not want to reduce the amount of time for questioning and does not want to appear in an undue haste to get this bill through. I was wondering if we could meet at 2 o'clock this afternoon when Mr. Balcer, Mr. Chevrier and other members of the committee could be here. The house does not sit until 2.30, and it seems rather bad if we have to wait until Friday to arrange another meeting. What is the feeling of the committee with regard to this?

Mr. MARTIN (*Essex East*): I do not see us meeting at 2 o'clock. First of all, we are never here at 2 o'clock, and I presume we would adjourn at 2.30. I do not think it is a practical suggestion. Let us see how it works out later to-morrow, depending on the hours of the house.

Mr. BROWNE (*Vancouver-Kingsway*): I feel this is too important a bill to let go until Friday. We should try and make some arrangement to get on with it. I realize the position of members but I think we should do all we can to avoid a long delay.

Mr. MARTIN (*Essex East*): It is too bad these bills were not brought down months ago. If that had been done we would not be in this predicament.

Mr. CREAGHAN: I know that naturally members of the committee do not want to sit while the house is sitting. Today is a holiday and I am sure we can admit among ourselves that we do not wish to sit this afternoon. I feel we would prefer Tuesday or Wednesday. On both days the house will be sitting in any case.

Mr. MARTIN (*Essex East*): It is obvious we cannot sit today, and I would simply suggest we wait and see what happens to-morrow, at the call of the chair.

The CHAIRMAN: There has to be an announcement in votes and proceedings, unless we continue the meeting today. That announcement has to appear for a certain length of time.

Mr. BROWNE (*Vancouver-Kingsway*): But we also have to take into consideration the fact that we have witnesses here who have been waiting all morning.

Mr. BALDWIN: I suggest we meet at 2 o'clock for no other reason but to settle this matter, which will not be settled in five minutes. Mr. Chevrier has opened up some very interesting aspects and I feel we would like to pursue that line of questioning and then get to the bill itself.

The CHAIRMAN: Would you make a motion to sit this afternoon, Mr. Baldwin?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: It is true that there are witnesses here but, in any event, they will be hanging around for hours because we have to be in the house for the question period. They will be waiting here for at least an hour doing nothing. The next point I wish to make is that I do not think we can complete our consideration of this bill in 30 minutes.

The CHAIRMAN: Of course the question period is over at 11 o'clock.

Mr. CHEVRIER: You mean 12 o'clock.

The CHAIRMAN: Well, I expect it will not go on until 2.30.

Mr. MARTIN (*Essex East*): We must remember too that the Canada Shipping Act is the first item.

The CHAIRMAN: I felt that the minister could be here for an hour or so this afternoon.

We have a motion from Mr. Baldwin, seconded by Mr. Creaghan, that we sit at 2 o'clock.

Mr. CHEVRIER: I am opposed to it.

The CHAIRMAN: I declare the motion carried, on division.

AFTERNOON SESSION

MONDAY, May 22, 1961.

Afternoon.

The CHAIRMAN: Gentlemen, I see a quorum. This morning we were dealing with the first item of this bill and we had the representatives of the board of transport commissioners here. We will call them back and if you have any further questions to ask they will be glad to answer them.

Mr. BADANAI: Mr. Chairman, before we proceed with the meeting, inasmuch as Mr. Chevrier is not here, and as he represents, really, the official opposition and is better versed in the opposition in this matter, and as he has to be in the house during the discussion of bill C-94, a bill to enlarge the directorate of the Canadian National Railways—where, also, the minister probably will be at 2.30—as it is now 2.15, I suggest that we adjourn this meeting, to meet at a time when bill C-94 is disposed of in the house.

The CHAIRMAN: Of course, we went into that difficulty this morning. That is why we called the meeting for 2 o'clock. We have witnesses from another organization here who have been waiting, also, to be heard. I am in the hands of the committee, but I do not feel it is fair to keep witnesses here too long in a case of this kind. Has anyone else any views on the matter?

Mr. BROWNE (*Vancouver-Kingsway*): I would like to suggest that we call the Canadian trucking associations to appear before us. I know at least one of their people has come from out of town. If we could get on with the hearing from them, it would be well. Even if we have to sit again, the board of transport commissioners headquarters are here in Ottawa, and it would be easier for them to come here again to answer any questions. However, we might be able to complete the whole thing this afternoon.

Mr. McPHILLIPS: I agree with that and think it is a very good suggestion.

The CHAIRMAN: Is that agreeable to the committee?

Mr. BADANAI: I offer no objections to hearing the brief from the trucking associations; but certainly to discuss the bill I would rather wait until bill C-94 is disposed of in the house. I think it will be perfectly all right to hear the trucking associations' brief.

The CHAIRMAN: Could we do it this way: Is it agreeable to the committee to hear the trucking associations now? Then we could see how we get along, and probably by that time the bill may be well on in the house. Then it might be possible for Mr. Chevrier to be back. Is that agreeable to the committee?

Agreed.

The CHAIRMAN: We have with us today Mr. Magee, executive secretary of the Canadian trucking associations. They have asked to be heard on this bill. Perhaps Mr. Magee would come forward and introduce his partner.

Mr. JOHN A. D. MAGEE (*Executive Secretary, Canadian Trucking Associations Inc.*): Thank you very much, Mr. Chairman. I appreciate very much the privilege

of being heard by the committee on behalf of the Canadian trucking associations. I have with me Mr. George H. Montague, the secretary and legal counsel of Applied Economic Research Associates, which is a firm of economists which has been with us during the hearings at the MacPherson royal commission on transportation. If there is any question which the committee would like to ask in regard to our submission, we would be glad to answer it.

Before commencing our formal submission, may I say that this is the first occasion on which the Canadian trucking associations have presented this type of submission since the Hon. Mr. Balcer became Minister of Transport. Notwithstanding that we are here today to object to the legislation, we would like to extend to him our best wishes and assure him of the cooperation of the trucking industry in the work of his department.

HON. LEON BALCER (*Minister of Transport*): Thank you very much.

MR. MAGEE: The Bill before the committee has already received approval in principle of all parties in the House of Commons. The fact that the government's original legislation, inaugurating, in 1959, the \$20 million freight rate reduction subsidy, carried with it the support of the Liberal and CCF parties, as did extension of the legislation in 1960, is evidence of parliament's desire to assist the shippers of what is believed to be non-competitive freight traffic moving by rail.

The committee extended to Canadian Trucking Associations in 1959, and again in 1960, the privilege of making its representations against the previous bills. They had already been approved in principle before they came to the committee. We knew that to oppose them outright—to ask that they not be passed—meant certain defeat in our representations to you. Knowing that, we believed, nevertheless, that the time had come for the Canadian trucking industry to take its stand against a type of legislation which, if pursued further by the government as a solution to freight rate problems, would have grave consequences for trucking firms—particularly those in difficult areas of operation—competing with the railways.

We remain strongly opposed to the Freight Rates Reduction Act and, indeed, to any legislation in which it appears that parliament has shut its eyes to the existence of trucking companies involved, all across Canada, in a day-to-day competitive quest for traffic not only among themselves but with the railways. We remain strongly opposed to legislation that says, in effect, that when it comes to providing aid for the shippers of Canada, parliament's chosen instrument for that aid—the mechanism through which the aid will be unilaterally applied—will be the railways.

Perhaps there lies beneath the surface of discussion, unspoken publicly, the thought that the truckers haven't too much to complain about—'they get a free ride on the nation's highways so they, in effect, are subsidized too.' We bring that possibility into the open because of our frustrating inability to make what seems to us the obvious point about the unfairness and discrimination of the legislation before the committee.

The issue arising out of the Freight Rates Reduction Act—and out of the Maritime Freight Rates Act and the East West bridge subsidy as well—is that of compelling by statute one competitor in the transportation field to reduce his prices, remunerating him from the public treasury for doing so, and expecting other competitors to continue their operations on their private resources, as they had done before the competitive relationship was undermined by government intervention. That issue is not relevant to road-bed subsidization of any form of transportation, if it is suspected that such subsidy exists—or even if it is proven that such subsidy exists. When we talk about government subsidized price cuts for one form of transport and begin, co-incidentally, to wonder if there is a road-bed subsidy for another form of transport we are not

comparing or joining like with like. We are, in fact, discussing two entirely different types of subsidies. No fair, candid appraisal of the problem could be made by attempting to justify one type of subsidization for one form of transport on the basis of an unproven suspicion that another form of transport might be the recipient of another type of subsidy.

There has been road-bed subsidization on a vast scale for the railways of Canada, going back to the earlier recorded history of that form of transport. If road-bed subsidization is an issue that is hovering in the background, all forms of road-bed provision and construction of facilities for transportation, and the contributions made towards them by the various carriers, should be subjected to study to find out how each agency has fared. If it is found that any agency is falling short in its contribution, then the solution is to obtain a greater contribution from that agency. The solution is not to single out other competitors and justify government subsidized reduction of their prices with the thought that, after all, the by-product of the further drain on public funds will be an equalling of the competitive position of all carriers.

Our position on truck taxation is that we pay a full and fair share for such use as we make of the highways. In licence fees and gasoline taxes the "for hire" truck operator contributes to government treasuries revenues vastly in excess of those obtained from the private motorist. Provincial governments have never permitted truck operators any semblance of a tax-free ride on the highways. There can be no suspicion that the provinces intend to permit a tax-free ride for truckers now or in the future.

If truck taxation is an issue that lurks in the background—and if that is an issue that is undermining the trucking industry's case—the industry is prepared to appear before any body established by parliament with a full and detailed statement of the facts.

The trucking industry's consistent objections to the Freight Rates Reduction Act may be summarized as follows:

- (a) The subsidy is not designed to assist any well defined group of shippers or to meet any established need for assistance of any region or sector of the economy. The subsidy benefactors are the shippers who happen to use railway services at non-competitive class and commodity rates.
- (b) The subsidy ignores the fact that in view of the growing pervasiveness of competition ever-increasing parts of the transportation market are competitive or potentially competitive. In effect the subsidy tends to "freeze" the traffic pattern, and thus to frustrate the potential benefits of expanding competition.
- (c) The subsidy discriminates against the trucking industry and other forms of transport.

When the Freight Rates Reduction Act was considered by this committee in 1959, Canadian trucking associations expressed the fear that this measure, although considered as a short term measure to meet a particular situation, might become a permanent fixture in our transportation scene. These fears appear to be more justified today than when the original bill was considered two years ago. Since then, the Freight Rates Reduction Act has already been extended once, and at present this committee is discussing its further extension for a period of a year.

It may be contended that the Freight Rates Reduction Act is still temporary and that the extent of the subsidy is limited to \$20 million per annum. Nevertheless, the general subsidy picture—within which the present bill must be considered—is very disturbing indeed. At the end of the war, the Maritime Freight Rates Act subsidy to the railways, which at that time was the only major railway subsidy item, amounted, in the fiscal year 1945-46, to \$4,345,513.

Ten years later, for the fiscal year 1955-56, the Maritime Freight Rates Act subsidies amounted to \$10,982,990. In addition \$7 million was paid to the railways in the east-west bridge subsidy. Excluding subventions aimed at assisting particular industries (such as coal or the feed grain subsidies) we have witnessed a quadrupling of railway subsidies during the first decade after World War II. Further increases in the Maritime Freight Rates Act subsidy and the imposition of a general \$20 million subsidy in the Freight Rates Reduction Act have doubled again the subsidy burden of the last five years. In addition, the impact of national payments to meet the deficits of the Canadian National Railways must be considered if we are to appreciate fully the competitive disadvantage at which the Canadian trucking industry must work.

As competitors of the railways in the transportation field we are alarmed by the greatly increased assistance which federal governments have been giving to the railways. As taxpayers we are also deeply concerned about the increasing costs of subsidy programs—costs which, if not checked, may reach very serious proportions.

The Prime Minister has stated that the government is giving consideration to legislation related to some, but not all, of the recommendations contained in volume I of the report of the MacPherson royal commission on transportation. The recommendation of the royal commission, in respect to transportation subsidies, including the Freight Rates Reduction Act, can be divided into two categories: (1) those recommendations which had to do with four subsidies for the railways—two of them transitional, supposed to decline annually and eventually disappear—to remove from shippers of freight the cost of uneconomic railway operations and to make those operations a charge upon the public treasury; (2) the ending of discriminatory payments, through one transportation agency, of assistance for particular shippers and regions and the inauguration of a new policy of making such assistance available on a non-discriminatory basis to all carriers. The recommended policy (2) of distributing assistance to particular shippers and regions through all carriers on a non-discriminatory basis was, of course, the one significant recommendation in the report that would help the trucking industry—would help it by rectifying an injustice. Going from the general principle to the specific, the royal commission left no doubt that the legislation it had in mind was the Maritime Freight Rates Act, the east-west bridge subsidy contained in section 468 of the Railway Act, and the Freight Rates Reduction Act. The royal commission stated:

Assistance to transportation which is designed to aid, on national policy grounds, particular shippers and particular regions should be recognized for what it is and not be disguised as a subsidy to the transportation industry. Moreover, whenever assistance of this kind is distributed through the transportation medium it should be available on a non-discriminatory basis to all carriers.

Royal commission on transportation, report,
volume 1, March, 1961, page 29.

Elsewhere in the report, we find an alternative but equally clear formulation of those fundamental principles. The commission states:

As we shall suggest in a subsequent volume, in seeking solutions to these regional and industrial problems transportation must be evaluated with other measures to find a combination to achieve the most effective results. But because transportation is no longer synonymous with railways, any decision to attempt to take care of regional or industry economic problems by means of transportation should consider the whole transportation environment. Under competitive conditions, the use of a single chosen instrument of transportation, rail,

or another, to achieve regional or national objectives may seriously distort the allocation of resources, may achieve the desired ends by unduly expensive means, or may prove to be of greater assistance to that chosen mode of transport than to the region or industry the policy is designed to assist. Such measures as the 'bridge subsidy', the Freight Rates Reduction Act and the Maritime Freight Rates Act must be evaluated in the light of these considerations.

Royal commission on transportation, report,
volume 1, March, 1961, page 33.

It appears that the underlying intention of the Freight Rates Reduction Act is to assist those shippers who have no alternative form of transport available to them and who, it is alleged, bear the burden of horizontal freight rate increases imposed by the railways. The act applies only to non-competitive class and commodity rates on the assumption that there is no competition for the traffic which moves under these rates. Investigations conducted by Canadian trucking associations reveal that this assumption is not valid—that, as we testified before this committee in 1959, there is truck competition for some of this traffic. We submit, therefore, that the act should be amended to avoid discrimination against competitive transport media and to ensure that where competition exists the shipper is free to select the most economical and efficient service available to him.

We have prepared a draft of such an amendment, included as an appendix of this submission. For the purposes of the draft we have assumed that it is the policy of the government to provide assistance to all shippers who are affected by the so-called "non-competitive" rates, although, as we have pointed out, competition does exist in some instances. Even in these instances we propose that the shipper retain the benefits of lower transportation costs made possible by the Freight Rates Reduction Act.

Aid to shippers, wherever competition exists, would be distributed on a non-discriminatory basis in respect to all carriers. Most of the Freight Rates Reduction Act subsidy would continue as a direct payment to the railways. There would be no direct subsidy payment to any truck operator—and the trucking industry seeks none. There would be a free choice of transportation agencies for the shipper. No longer would the parliament of Canada say, in effect, through its freight rate reduction legislation: "Aid you shall have from the federal government but only if you patronize the railways to the exclusion of all competitive forms of transport."

The amendment we propose contains a provision empowering the Board of Transport Commissioners to receive proof of competition for traffic that moves under non-competitive class and commodity rates. If the existence of competition is proved, the Board would restore the railway rate to the level at which it stood before the Freight Rates Reduction Act came into force. The shipper in this case would continue to benefit: the subsidy would be paid not to the railway but directly to him—a payment equivalent to the rate saving the shipper otherwise would lose. All of which is respectfully submitted.

The CHAIRMAN: Do you have a copy of that further addition?

Mr. MAGEE: No, it is a layman's attempt to sum up the legal language in the amendment. The actual amendment is the appendix of the submission.

The CHAIRMAN: Is it the committee's feeling that these proposed amendments be taken as read and printed, following the submission of the Trucking Associations?

Moved by Mr. Woolliams, seconded by Mr. Browne (Vancouver-Kingsway), that the proposed amendments to Bill C.93 be added at the end of the brief of the Canadian trucking associations.

[Editor's Note: The proposed amendments are as follows:]

PROPOSED AMENDMENTS
to BILL C-93

We propose that the bill be amended by the addition of the following sections:

3. Section 2 of the Freight Rates Reduction Act is amended by adding thereto immediately after subsection (c) the following subsection:

- (d) "carrier" means any person engaged in the transport of goods for hire or reward.
- (e) "shipper" means a person sending or receiving, or desiring to send or receive, goods by means of any carrier.

4. Subsection 1 of section 4 of the Freight Rates Reduction Act is repealed and the following substituted therefor:

4. The Minister of Finance may, with the approval of the governor in council and on the recommendation of the board, pay out of the consolidated revenue fund

- (i) to a company, an amount that in the opinion of the board is equal to the diminution in the gross revenue of the company resulting from an order made by the board under this act.
- (ii) to a shipper, in respect of all traffic of the same goods between the same points as those applicable to any rate that but for the provision of section 8 of this act would have been revised by an order of the board under section 3 of this act, an amount that in the opinion of the Board is equal to the difference between the freight charges paid by that shipper in respect of that traffic and the charges which would have been paid by that shipper in respect of that traffic had it been carried by a company at a rate revised by an order made by the board under section 3 of this act, provided that the amount so paid shall not exceed the amount which could have been paid to a company in respect of that traffic under the provisions of this section had that company carried the said traffic at a rate revised by an order of the board under section 3 of this act.

5. The following section is added to the act:

8. Notwithstanding anything in this act contained, where it is established to the satisfaction of the board of transport commissioners that any carrier other than a railway offers shippers a service for the transportation of the same goods between the same points as those applicable to any rate revised by an order made by the board under section 3 of this act then the board shall by order restore that rate to the level at which it stood prior to the said order to revise that rate.

The CHAIRMAN: Gentlemen, you have heard the submission by Mr. Magee. Have you any questions on Mr. Magee's or Mr. Montague's brief?

Mr. BROWNE (*Vancouver-Kingsway*): I would like to ask a question of Mr. Magee. This act has been in effect for some time now and I notice that on

page 7 of the brief you state that while "the act applies only to non-competitive class and commodity rates on the assumption that there is no competition for the traffic which moves under these rates", that such is not the case. I believe you made that assertion before the royal commission on transportation, and at that time they asked whether you could provide any factual information as to what trucking companies were being affected. I was wondering whether you had a chance to undertake those studies and if you could tell the committee of instances where this act was affecting the trucking companies?

Mr. MAGEE: Yes, the Royal Commission asked us to make a study of where in the province of Quebec the 20 million freight rate reduction subsidy had an impact on truck operators competing with the railways. That request was made to us by the Royal Commission in April, 1960, and later in the hearings we provided the answers to the Commission based on a study that we had our economist make in Quebec. Mr. Montague is the expert on that particular study, and he could give you the details of it.

Mr. GEORGE MONTAGUE (*Secretary and Legal Counsel of Applied Economic Research Associates*): Perhaps I could preface anything that I give you in the way of evidence by remarking that we have found, after investigating this complaint, that despite the fact that the railway was still operating at the so-called class or commodity rate, competition had been introduced for particular commodities, and the competition was priced high enough so that there was no need for the railway company to reduce its rate by means of a competitive tariff, but that competition did exist for this traffic. In particular instances where we did investigate because there had been a complaint raised by our people in Quebec as to the application of this act, particular tariffs which were affected were C.N.R. No. C-100, C.N.R. No. CM-130-1, C.P.R. No. E-2180-B, and C.P.E. No. 1350. The truck tariff in Quebec—there is a procedure for filing truck tariffs as well, and the relevant truck tariff—was Tariff Rate Consultant issue 20-E, Gaspé 300, Lac St. Jean, and 100-101 Abitibi. In those particular instances those were the only ones we did investigate because at that time, as I understood our terms of reference, it was to find out whether we could substantiate the allegations we made. We substantiated it by finding out that in these areas truckers who were competing, were offering a service in competition to service offered by the railway under its class and commodity rates, and we found that when those rates were reduced it was the result of the action taken due to the provisions of this Act, that the railway rate went down and the trucking companies who were in competition were forced to bring their rates down as well. So, having substantiated that, we did not get any further. I wish to emphasize that there may be more instances. We did not make an exhaustive study. It was only to find out whether this could be substantiated.

Mr. KEAYS: Mr. Chairman, before I ask a question I suggest that the witnesses could sit down when they speak, instead of having to stand.

Mr. Magee, what percentage of the trucking industry in Canada does the trucking associations represent?

Mr. MAGEE: We represent about 85 per cent of "for hire" trucking vehicles in Canada. That would include perhaps 3,000 at least of the small operators which I would put in the category of the 1, 2 and 3 truck operators, owner drivers, drivers or operators of vehicles, perhaps driving one unit themselves and having a couple of employees driving two other vehicles. It also includes all of the medium sized and large trucking companies in Canada.

Mr. BADANAI: Would you be in a position to give us an estimate of the total tonnage carried by your organization?

Mr. MAGEE: I could obtain the information for you from the Dominion Bureau of Statistics, but I cannot give you an offhand estimate.

Mr. RAPP: Mr. Chairman, are the 15 per cent of ones who are not represented, who are not in the association, from a certain province, is it from right across Canada as a whole, or are there some particular provinces that are not associated?

Mr. MAGEE: The Canadian Trucking Associations is a federation of all of the provincial trucking associations that exist in Canada. There is one association in the maritime provinces called the Maritime Motor Transport Association, which has members in all four of the maritime provinces, and one association provincially in each of the other provinces. They are the members of the Canadian Trucking Associations. Their members in turn are the trucking companies of Canada.

Mr. WOOLLIAMS: I am interested in this brief and particularly interested in the fact that you have been sending out various briefs from time to time from the Canadian trucking associations. I am particularly interested since I gather from this and other briefs that this legislation appears, in your view, to be giving special privileges to the railroad.

Keeping that in mind as a preamble to the question, for a long time the railways have ceased to have a monopoly, as far as freight transport is concerned, taking into consideration the various conditions—climatic, political and other conditions—in Canada. Because of those conditions, railways are forced to rearrange their conditions taking that into consideration. Do you think that railways, because they must assume this responsibility, because of climatic conditions—and I appreciate that trucks have improved and roads have improved—should have some special consideration?

Mr. MAGEE: Not in this type of legislation. We do not consider that that case stands up at all, sir. To single out any form of transport in Canada and issue a statutory order to that form of transport to reduce its rates in competition with the other agencies, is basically wrong. That is the position of the trucking industry, sir, on that issue.

Mr. WOOLLIAMS: I would like to follow with two or three more questions on this, as I do not think I could put it all in one question. I would like to hear from you as to whether your association is against that form of transport where the trucks are loaded on flat boxcars and are shipped by the railway company. It is called piggyback. Is your association against that form of transport?

Mr. MAGEE: We are not against the piggyback system. The Canadian trucking associations has never taken the position that it is against the two forms of piggyback which exist at the present time. First of all there is the type of piggyback which came in at the end of 1953, where the railways began to transport their own trailers. Not only did we not oppose that, but we hailed it as an example of the type of progress in service that the railways should be making, rather than seeking the curtailment of the operations of the trucking industry by legislation. Incidentally, I am not saying that that is the approach of the railways to the trucking industry at the present time, but back in those days it was more the approach they took. There has been a change since then. Nor have we opposed the type of piggyback that was inaugurated several years ago where the railways carried the truckers' trailers.

We do say that the movement of the trailers of our industry by piggyback has brought with it some problems, particularly in respect to the provincial licensing system because entry into the trucking field is controlled in most of the provinces in Canada by regulatory boards, and the question of operating rights and all of these matters pertaining to legislation enter into the development of piggyback.

We recommended to the Royal Commission that the piggyback question should be studied, and that there should be some type of regulation in respect of piggyback that would have regard for the interest of the railways, the truckers, and anyone else concerned with piggyback.

Mr. WOOLLIAMS: If your organization accepts what is called piggyback, are you not indirectly sharing an equalization of freight in this type of legislation?

Mr. MAGEE: I do not think so. There is nothing static about piggyback. We can send our trailers by piggyback this week, and all the trucking companies on the run, for some reason—technological improvement, or some development that may reduce their operating costs—can be out of piggyback completely next week, and be back on the highways. I do not say it would occur that quickly, but piggyback is not a static development. The situation in the United States of America has shown that truckers have gone back to the highways and have continued to operate as over-the-road carriers on the basis of circumstances which have arisen there.

Piggyback is a new idea; it is in the process of development; but we still consider that whether one part of the fleet goes out at night on the flat cars and another part of the fleet goes out on the highways, we are still trucking companies. We still solicit the freight, we still move it in our trailers and we still deliver it at the other end.

Mr. ROGERS: I would like to ask the witness if the railway companies are associated with your organization?

Mr. MAGEE: I have to break it down into provincial and national situations. To start with the national picture, our by-laws in the Canadian Trucking Association prohibit the attendance at any meeting of the Association, as a delegate, of any employee who works for a transportation firm owned or controlled by the railways, either directly or indirectly. Therefore, an employee of a steamship company, or of a truckline owned by a steamship company—and there are several very large trucking companies in that category—cannot attend our meeting as a delegate, nor can representatives of the railways. They might be able to get inside the door and sit at the back of the hall as observers, but that is as far as we go. They do not speak at the meeting.

Mr. ROGERS: Thank you very much.

Mr. MAGEE: Now, in the provincial trucking associations their policies vary from province to province. Most provincial trucking associations admit railway truck lines to their membership. There are two which do not, namely Manitoba and Saskatchewan.

Mr. ROGERS: Alberta does?

Mr. MAGEE: The Alberta Association has changed its policy now, and admits railway truck lines to membership.

Mr. ROGERS: Have you any idea of the percentage of freight you move as against the railway companies?

Mr. MAGEE: Mr. Montague will obtain those figures for you in a moment.

Mr. KEAYS: On page 1 of your brief, you suggest that if this type of legislation is pursued further it would have grave consequences for the trucking firms, particularly those in difficult areas of operation, competing with the railways. I wonder if you would like to develop this a little further so that we could narrow down this matter to specific complaints of your organization.

Mr. MAGEE: We tried to do that for the Royal Commission in the study that we made in the province of Quebec. I think that the areas covered by the tariffs which Mr. Montague quotes are all areas where the operating conditions are difficult for trucking companies, where the traffic density is not as

high as it is on runs like the Toronto-Montreal run, which is one of the most intensely populated truck hauls in Canada.

In any area where there is not a great deal of freight offering, the road conditions may be difficult, the climatic conditions may cause difficulties. We say that to have this type of legislation brings an additional impact on the truck operators there and is a serious problem.

We also are heartened by the fact that we are no longer alone in this claim. The four governments in the Maritime provinces, and the government of the province of British Columbia—which gives a very nice political distribution of viewpoints—took the position that any further freight reduction subsidies must be applied through all forms of transport. The four maritime provincial governments recommended additional subsidies for the Maritime provinces under the Maritime Freight Rates Act. They said that the time had come when, if these subsidies were applied unilaterally to the railways and not paid to shippers in such a manner that all carriers could be patronized, it would harm the competition which they received with the railways from the trucking companies, and that in turn would harm the economy of the Maritime provinces. The province of British Columbia took much the same position.

Mr. BADANAI: Would you not agree that the railways are often prevented from abandoning unprofitable branch lines because of community pressure or government pressure, or for other reasons, and that therefore they are entitled to some form of compensation by the government, in this instance, to keep going that service to those communities? Do you not agree that there is a need for that?

Mr. MAGEE: The position that we have taken on that issue, sir, and which we took at the hearings of the Royal Commission, is that where the railways are providing a service, that the public, by its lack of patronage indicates that it does not want and will not use, they should be able to withdraw from that type of service with much greater facility than seems to be the case at the present date.

Mr. BADANAI: Yes, but the pressure is put on the railway to continue the service, as you know.

Mr. MAGEE: But that situation also does not have to remain static. The railways can be given greater flexibility to abandon uneconomic passenger services and branch lines that are not patronized. I read of a case—I cannot remember on what line it was—where there was a passenger service that the railways had to continue to provide, and where it would have paid the railways to present every one of the 14 passengers still using the train with a free motor car on condition that they would withdraw their opposition to the abandonment of the service. Speaking as a citizen and not as a trucker now, it seems to me that that is a wrong situation.

Mr. BADANAI: But there is the other consideration, Mr. Magee. We are a young country, still growing, still opening up, and of course the trucking industry is simply making use of facilities and is not providing for the opening up of the country where there is unprofitable business at present. The railways are asked to provide that service. Do you not agree that there is room for consideration that the government should give assistance in the form of a subsidy to the railways because of the national service which they are rendering?

Mr. MAGEE: We say that in those circumstances, the aid should be given to the areas, and not the transportation agency. Ideally we say that the aid in respect to all freight rate reduction subsidies should be paid to the shipper and not to any transportation agency. Then, under our competitive enterprise

system, the shipper will have the right to choose the form of transport which he wants to use, and which he finds most economical and efficient.

Mr. BALDWIN: I wonder if you envisage, if nature were allowed to take its course, that before too long a time the word "subsidy" would be completely outlawed, and that the entire trucking industry could replace the existing rail transportation system in Canada.

Mr. MAGEE: I would not say that. Before I answer that question, I might say that we do not take a doctrinaire position that all subsidies are bad, no more than we take a doctrinaire position that because it is a subsidy it must necessarily be good. We say that each case for a subsidy must be examined on its merits. As for the ability of the trucking industry, even if all railway subsidies in Canada came to an end, to remove the railways from operation by the sheer competitive impact of trucking, I do not believe that would happen nor do I believe it could happen. I believe there is a lot of vitality left in the railway system. We in the trucking industry say that, if the railways are given a chance to work out their problems through the ingenuity of their management, they are not a spent force in the Canadian transportation scene by any means, and many trucking companies competing with the railways in Canada today could back up that statement more eloquently than I could voice it as their representative.

Mr. McFARLANE: Mr. Chairman, I should like to ask Mr. Magee, is it a fact that the trucking associations are governed by the same rules as the railways? If a shipment were offered it has to be accepted. Is that correct?

Mr. MAGEE: Not in all provinces. In most provinces I think there is really a common law obligation on a carrier, whether he be a trucker or whoever he is, to accept any and all shipments offered, provided he is equipped to handle them and provided the shipper is willing to pay the rates for the movement.

Mr. RAPP: My question has been practically answered. It had to do with the uneconomical branch lines. I come from a prairie province where the railroads are very important. It is the railroads which mainly transport grain from the prairie provinces, and at the same time I should stress the point that in these localities or districts the roads are such that a trucking industry would not do very much business or would not give very much service. I am not unsympathetic to your brief but, at the same time, I think it is very important to the agricultural industry, and to every other branch of industry in the prairies, that railroad service should not be abandoned. In such circumstances I believe that a subsidy should be paid to uneconomical railroad branch lines.

Mr. MAGEE: That issue is the issue which has been raised in very large form in the report of the MacPherson Royal Commission on Transportation where, so far as I can make out, it speaks of 8,600 miles of branch lines that are low density branch lines and are considered uneconomic by the Commission. In the first place, before we would be prepared to give a final answer on the question of branch lines, we should like to see the further recommendations of the Royal Commission on this question, which are coming in volume two, because certainly the commission has not completed dealing with the problem in volume one.

There is a lot left unsaid about branch lines in that very sketchy outline of what should be done about them. It may be that in the prairie provinces the Commission will recommend that in some cases trucking replace the railways, and perhaps the farmer will receive some special aid to enable him to haul his grain a little further than he is hauling it today in his own trucks, if he wants to handle it that way, or in cooperation with other producers of grain in his area. On behalf of the Association I cannot give an overall answer to the branch line problem.

Certainly we do not feel that transportation should be completely pulled away from people who depend on it in the area in which they are producing. Certainly there must be transportation, but whether it will continue to be rail or whether it will be done in a revised manner I do not know. I really think it would be better if we waited to see volume two of the report, which the trucking industry hopes generally will contain much more favourable recommendations than volume one which speaks of a \$100 million subsidy.

Mr. BROWNE (*Vancouver-Kingsway*): I have been trying to follow these proposed amendments. I notice in the early part of the brief Mr. Magee quoted from the royal commission to the effect that in their opinion a subsidy should be made available equally to all forms of transportation. Then I believe he went on and said the maritime provinces and the British Columbia government had concurred in that view. I expect these amendments are designed to bring that about, but I was just wondering whether these proposed amendments would bring about the application of the subsidies to the trucking industry and to the P.G. railway in British Columbia, where the British Columbia government also made representations to the royal commission that subsidies of this nature, if they were paid, should be paid to that organization as well.

Mr. MAGEE: In our amendment we used language which would make it applicable to other forms of transport besides trucking. The reason we did that is that other forms of transportation, even though they may not have appeared before this committee in respect to this particular legislation, have also felt an impact from freight rates reduction legislation.

At the hearings of the Royal Commission in Montreal, the regional hearings in October, 1959, I heard the representatives of steamship companies operating from Newfoundland to central Canada complaining about the impact of the Maritime Freight Rates Act on their operations. We would assume that the Freight Rates Reduction Act might also have an effect on other forms of transport, and we feel the fair approach is to propose an amendment that would enable the aid under the Act to be given to the shipper, so that he would have a free choice of transportation agency. He does not have a free choice today. He must use the railways.

Mr. MONTAGUE: You will appreciate that our problem was to try and deal with the situation where, as a result of legislation I should say of the Act—a rate had been reduced and a competitor had been affected. It was necessary for us in our section five to suggest the addition of a further section, to be known as section eight of the act. We have said

Notwithstanding anything in this act contained, where it is established to the satisfaction of the Board of Transport Commissioners that any carrier other than a railway...

We were up against that particular problem. We had to limit ourselves to "carrier other than a railway" on the assumption that there would be no railway affected, that no other railway would be duplicating an identical railway service of one of the companies to which the Act applies, in the manner in which a trucking company or steamship company might. That is why, as this act is drawn, it would not apply to P.G.E.

Mr. KEAYS: Before I place the question which I really want answered, I wonder if Mr. Magee could tell us what are the average net earnings of the trucking industry, of those who belong to the trucking organization he represents, say for the last fiscal year or for 1958, 1959 and 1960—the average net earnings.

Mr. MAGEE: What type of trucking company have you in mind?

Mr. KEAYS: Those which belong to your organization, whether they be large fleets or small.

Mr. MAGEE: You must remember that the character of our industry is very different, in that respect to that of the railways. We have truckers who haul gravel. That is their business. Then there are truckers who haul general merchandise, and that is their business. There are also truckers who specialize in haulage of livestock, and I do not think that we could give you a figure of earnings for the whole group as such.

Mr. KEAYS: I should like to leave out the gravel carriers.

Mr. MAGEE: We represent them too.

Mr. KEAYS: Under provincial legislation they have to be paid a minimum rate per ton.

Mr. MAGEE: In some provinces.

Mr. KEAYS: I am just wondering about those who carry merchandise.

Mr. MAGEE: I cannot give you that figure off hand. We would be glad to obtain it for you—our economist tells me that we cannot obtain it. He is basing his comment on all of the data that he knows is available. I would say this, however, that we would attempt to obtain it, and perhaps transmit it by letter to the chairman of the committee so that it could be included with the minutes of the proceedings.

Mr. KEAYS: Secondly, I should like to ask Mr. Magee if the trucking association takes into consideration the fact that the railways—I am speaking now of the publicly owned railway—are commanded to go to certain areas and operate certain lines, while the trucking industry looks for more lucrative areas in which to operate. Is that not a justification that there is not the same need of subsidization?

Mr. MAGEE: That is a different type. If for the sake of argument we admit the situation exists, that is not the type of subsidy which is before this committee. The type of subsidy before the committee is a subsidy to aid shippers. Our contention is that that type of aid, if it is to aid shippers, should be administered in such a way that the shipper will continue, as he would before the legislation comes into effect, to have his free choice of transportation agency.

Mr. KEAYS: That is why I asked the first question about whether there is any profit. I think we are mostly concerned with the laid down cost to the consumers and, if the trucking industry can operate at a competitive price with the railways and still make money, then there is not the same need of help?

Mr. MAGEE: This legislation, as we understand it, was not legislation to assist the railways, any more than the Maritimes Freight Rates Act is legislation to assist the railways. It was legislation to assist the shippers. So far as competition is concerned, the competition which is being experienced today by the trucking industry from the railways—and I should remark in fairness that we are giving back as good as we get—is about as fierce as it has ever been in the transportation field.

I think the Royal Commission on Transportation stated that the permissive freight rate increases granted by the Board of Transport Commissioners since the end of World War II amounted to around 157 per cent, while the revenue per ton mile yield from the freight rate increase which the railways obtained was less than 60 per cent. If I am correct it was around 55 per cent, and that was entirely due to the impact of competition. That, I may say, is not all a one way street. The impact of our competition with the railways is felt in their own business every day by truck operators, and that is why we are extremely concerned about this type of legislation. There are now three pieces of legislation on the statute books of the freight rate reduction type, plus the

extension of this legislation to a third year, and if we do not take a stand against that, and try to convince you gentlemen that this is not the fair way of doing it, we shall have no one but ourselves to blame for the results which will inevitably follow.

Mr. BALDWIN: Your brief is by way of a caveat sworn, a filing of caveat. Your legal colleague will know what I mean.

Mr. MAGEE: Not only that, but we have suggested an amendment.

Mr. BALDWIN: May I pursue one or two questions? Because of the coming into effect of this legislation, the trucking industry in the province of Quebec had found a competitive situation brought about. Now, to give us the chronology of that, was this after the 17 per cent increase had been first brought into effect, and then there had been a roll-back to 10 per cent?

Mr. MONTAGUE: The competition existed for traffic in those goods prior to your legislation. It existed, so far as I know, when the rate went up. When the rate went down the competition had to drop their rates in order to preserve their business.

Mr. BALDWIN: In other words, even before the 17 per cent increase came into effect, there was a measure of competition, and when the 17 per cent rate went into effect, of course competition would have increased.

Mr. MONTAGUE: In some instances it might have attracted even more competition.

Mr. BALDWIN: Then that same situation might well have been duplicated in any part of Canada, that if the 17 per cent increase had gone into effect it might have created a competitive situation which had not existed before?

Mr. MONTAGUE: It is possible.

Mr. BALDWIN: Consequently that would have brought the Trucking Associations into an area where they might have been able to become competitive and gain a certain area of business to the advantage of the shipper as well as themselves.

Mr. MONTAGUE: I am probably speaking for Mr. Magee now, but I believe this is our contention—that the introduction of competition is always the means by which the monopoly rate is finally broken. The appearance and encouragement of trucking competition in the traffic of particular goods is always the means by which finally the rate becomes competitive. The rate then starts to drop, or at least there is assurance that the rate will not get out of hand.

Mr. BALDWIN: Probably when we are getting the statistics from Mr. Keays, do you think you could go a step further or have you information as to the increase in tonnage of you own trucks—if that is what it is described in—and also the increase in the actual tonnage of freight in the last ten years which members of your association have succeeded in achieving I would like it as close as possible.

Mr. MAGEE: We will do our best with those questions. One of our greatest problems in the trucking industry has been the fact that up until just a few years ago the Dominion Bureau of Statistics did not collect national statistics on the trucking industry. That was a very serious problem for us at the two previous Turgeon commissions, and the government has seen fit to make more funds available to do a proper statistical job in respect of the trucking industry. That is being done today, but there is no record of the past. Those figures begin in 1958 with the publication "Motor Transport Traffic Statistics, National Estimates". That is the first year in which we got complete national traffic data on the trucking industry from D.B.S. It is done on a sampling system, as is the waybill study.

Mr. BALDWIN: You take exception to this type of legislation and the kind of subsidy which is provided by it; is there any sort of subsidy which you think can reasonably be anticipated which should be provided to the railway for the purpose of carrying out certain essential services?

Mr. MAGEE: If I could be permitted not to answer that question just yet, I would appreciate it. We have asked for a meeting with the Prime Minister and the cabinet on the question of the MacPherson Royal Commission report, and we are hopeful that we will be able to arrange the meeting. Before we get it, the submission we will present will have to go before our industry, our policy body, where all of our representatives from across the country will gather. There are four specific subsidies recommended by the Commission. As I said earlier, we believe that the subsidies should be considered individually on their own merits, and our Board of Directors, or special general meeting, will have to decide our position on these four subsidies.

Mr. BALDWIN: I will advance the question on the understanding you will send us a copy of your brief when it is available.

Mr. MAGEE: We will be glad to send copies to all members of parliament.

Mr. MCFARLANE: I would like to ask you this question. As we are all aware, the railways are forced to keep uneconomical lines open,—if not fully operational, then operational part-time. We all know the furor that is created in the House of Commons when a line is going to be abandoned or service decreased. I was wondering if Mr. Magee could tell me whether they have any such runs which the trucking service is running on an uneconomical basis?

Mr. MAGEE: I am sure there are lines in the trucking companies, which they would call branch lines, which are not economical but which have to be operated because they have shippers there who are shipping in other areas and who, if they are not provided with service, will not patronize the company. There are many instances, I am sure. We would have to send an economist into the field to ferret them out. I know, from what I have heard travelling across the country and talking to truck operators, that we certainly have also had the problems of lines that are not in themselves a paying proposition.

Mr. MCFARLANE: A supplementary question to that, Mr. Chairman: supposing you have such a run, are you forced to keep that service open, the same as the railways?

Mr. MAGEE: In most provinces we cannot abandon the service without going to the provincial regulatory board and obtaining permission. It could probably affect the licences of the company generally. For example, I know that in the province of Quebec you cannot abandon service there without permission from the Quebec Transportation Board. I will say that if it is a small trucking company and it is going bankrupt, it would have to stop and the board would, of course, not force it to keep operating. I also know of situations in Quebec when a large trucking company wished to abandon service and were required to maintain service on certain runs.

Mr. MCPHILLIPS: Mr. Magee, reference was made to the province of British Columbia. The Pacific Great Eastern does not come under this act. I do not suppose we could call the Pacific Great Eastern an uneconomic branch line, because it is simply an uneconomic line, period. The province of British Columbia subsidizes it in various ways. There are also a lot of heavy truck running into the northern part of British Columbia. Have you protested to the province of British Columbia?

Mr. MAGEE: Our member association in British Columbia, the Automotive Transport Association of British Columbia, have certainly made recommendations to the provincial government in respect to matters pertaining

to the Pacific Eastern Railway. Whether that particular situation is one they dealt with, I do not know. In any case, it would be a matter that would be dealt with by the provincial trucking associations because it is a matter of provincial legislation.

Mr. McPHILLIPS: In analyzing the brief and the submissions you have made, it seems to me you are not able to produce any evidence to show that members of your organization are suffering or going to suffer. You are just against the principle of the thing—does it not boil down to that?

Mr. MAGEE: Under the Maritime Freight Rates Act we are suffering severely. The four maritime provincial governments came before the Royal Commission and made the statement that if additional subsidization was put under the Maritime Freight Rates Act and applied unilaterally to the railways, the trucking industry there would suffer and the economy of the maritimes would suffer because the competitive forces which are already weak there, they claim, would be taken away from them. We say that we have made no analysis of the impact of the east-west freight subsidy although there must be some there. The Board of Transport Commissioners, by its orders, fortunately has limited the application of the bridge subsidy to the non-competitive class and commodity rates so that, just as in the case of this legislation, the impact on the trucking industry is retarded.

Mr. McPHILLIPS: You do not make any reference to the Crowsnest Pass rates?

Mr. MAGEE: In respect to the Crowsnest Pass rates, if revenue per ton mile available for the movement of grain ever reaches the point where it is economical to move it by truck, the fair situation in our competitive price system is to open it up for movement by truck. We say that in the Freight Rates Reduction Act we are being singled out. This is going backwards in the competitive enterprise system, not forwards. You are, through parliamentary action singling out one form of transport. For a statutory order to the railways: you cut your price and we will make up the difference.

Mr. McPHILLIPS: But we want to keep them running because they are employing a lot of people.

Mr. MAGEE: We employ 90,000 people across Canada.

Mr. McPHILLIPS: What is your answer to the question: why are you not concerned with the Crowsnest Pass rates? You prove that it should be there.

Mr. MAGEE: The Crowsnest Pass rates, as set in the act of 1925?

Mr. McPHILLIPS: Long before that. My question is that you people could not move Canadian wheat, you admit that.

Mr. MAGEE: Under present conditions we could not because the rates are being held at the level of the year 1897. When the railways came before the MacPherson Royal Commission on Transportation and asked that the revenue they receive be increased to a cent a ton mile, and that, in other words, they be given a subsidy of \$70 million a year for the movement of export grain, the Commission ruled that that matter was within its terms of reference and that it was authorized by the order in council to investigate it. We took the position that the Commission should carefully investigate the railway claims that the Crowsnest Pass rates are not compensatory, and we also said that if the Commission recommended that any action be taken to bring railway revenues up because of the belief that they had to be raised to meet 1961 conditions, then the trucking industry should participate; that the money should be given to the shipper and that he should be allowed a free choice of transportation agencies. There are trucking companies which have been looking very carefully for some months at the question of the movement of grain. There is a substantial movement of grain in the United States by truck, and special facilities

have been constructed to handle the trucks in the same way as special facilities have been constructed to handle railway cars. We are already moving certain types of grain out of the Creston-Wyndell area in British Columbia to Vancouver. We are moving more by truck there now than the railways.

Mr. McFARLANE: May I comment on that? The fact is that the freight assistance is not allowed to the Creston-Wyndell area where it is allowed in the Peace River. You will find that if freight assistance was allowed to Creston-Wyndell area the same as Peace River, I think you would lose that too.

Mr. MAGEE: I see another problem looming up before us.

Mr. BROWNE (*Vancouver-Kingsway*): We heard a good point made, that if subsidies were not being paid to one form of transportation, the other would be an effective competition. It is one which is not subsidized.

Mr. BOURQUE: I must admit I know very little about railways or trucking industries, but there were points that came to my mind which I would like Mr. Magee to answer. In the bush country they have to go and get machinery for two or three hundred miles in a district where there are no roads open to traffic, where only airlines can carry the materials. If some railroad came along, whether it be C.P.R. or C.N.R., and built a line, say, 200 miles in bush country, and for three or four years they were alone and had no competition, but then the province built automobile roads they could travel on, what would be the position of the railway line if at first they could not get there and then they had to wait until the state built the roads which would be utilized to run their competition? I was just wondering what Mr. Magee could tell us on that?

Mr. MAGEE: That would be a perfectly fair, normal, and expected development. We had it in reverse. In some areas we were there before the railways came, and in fact I can bring a trucker before this committee from the province of Quebec who was operating exclusively in one part of his territory. There was no railway there, and he could tell you what has happened competitively since the railway came.

Mr. BOURQUE: In what part of the country?

Mr. MAGEE: It was the Asbestos Transport Limited. I am not too familiar with the area of Quebec but a big railway line has been put in there by Canadian National Railways—I understand it was federally assisted—after the trucker had provided the freight transportation in that area. Perhaps I should have brought the gentleman here.

Mr. BOURQUE: Mr. Magee, would the trucking industry under similar circumstances, if a railway did not build a line, be willing with a government subsidy to build roads in a bush country 200 miles long? I believe that is a fair question and I would not wish to take an unfair advantage. You said there would be fair competition, so I believe it is a fair question.

Mr. MAGEE: If the trucking companies in the area were asked by the government to build their own roads?

Mr. BOURQUE: Yes.

Mr. MAGEE: I doubt very much if they would be asked by the government to do that. After all, the road goes in because of personal transportation, passenger traffic, which has to move on it, and personal communication which has to take place. There are not very many roads in Canada that would be removed from operation if all of the trucks in Canada stopped operating over the highways. I do not know of any.

Mr. BOURQUE: My question only came because you mentioned the Asbestos road. A great big company may find it cheaper if they have no competition, and if they have to ship the goods, to invest in the building of 200 miles of roadway for their own trucking purposes. It would be their own private road.

It may be cheaper for them so as to be able to haul the material to the nearest railway station, or nearest trucking place. In that case it would be a private company, and they would be handling their own material only. You would not be in competition then with them, because if it is a privately built road they would not allow you on that road, but would keep the monopoly of the traffic on it.

Mr. MAGEE: Yes, that is possible.

Mr. BOURQUE: Is not that the case with the Asbestos Corporation? Did they not build their own road?

Mr. MAGEE: I understood that the operator was running on the public highways. I could be wrong. I am quite sure that he was operating on the public highways.

Mr. BOURQUE: Then, according to your statements, you can operate only on public highways?

Mr. MAGEE: No, I would not say that we could only operate on public highways. There may be circumstances where truckers—either private truck operators, which would be the company or the shipper moving his own goods, or the trucking companies—might consider it desirable to build their own roads.

Mr. BOURQUE: But you do not know of any circumstances where any trucking company ever built its own road for the general trucking industry so that any trucking company could operate on that road? In other words, what I mean is that once a railway company has built a road to any given point they can make arrangements with another competitive railway company to operate on that line. But it is their line. If the trucking industry did the same, then they would be in direct competition, paying for the road and maintaining the road and everything.

Mr. MAGEE: As we have said in our brief, we consider that in our use of the public roads we are paying our full and fair share for the use of those roads.

Mr. BOURQUE: But that is only taxation. You pay according to what you use, but the railway company have built a line directly to the point in the bush lands. They would have to maintain and pay everything, and pay the taxation, if they made any money, the same as the trucking industry. Therefore, they would get no advantage over anyone else. They would have to pay for that road and maintain it. I do not know anything about the industry. I am only a businessman, but I would say that the maintenance and the upkeep of a road like that would be impossible for a trucking industry. The taxation which they pay in so far as travelling on and using the road is concerned, is not at all in conformity with the wear and tear and the cost of maintaining of the different roadways.

Mr. MAGEE: That is the point we raise in our submission. We say if that is the belief which members of parliament hold generally, we would welcome an opportunity to present the trucking industry's position on taxation to any body appointed by parliament, whether it is this committee or a royal commission or whatever it may be. We are prepared to come with detailed statements of the taxpaying position of the trucking industry.

Mr. BOURQUE: Now we are dealing only with the present position. At the present time, we have no comparative figures. You say you pay your part as well as the railways'. If we had a statistical board which would establish just what you pay and what the railways pay, we might then come to a basic factor, and say that we should pay so much or that you should be allowed so much and the railways so much. As some members said a while ago, the railways had to bring freight such as wheat at a very cheap rate, which you

do not have to do. The railways are up against certain difficulties but you can operate or not operate as you think best. You are all private companies, and can discontinue an operation. You can change your name or become incorporated under another name. You have all kinds of ways of overcoming these problems. I am not for or against the railways, or against the trucking industry. I am only seeking information. You can sell your company to another company and you can cease operating where you are losing money. There are all kinds of things you can do. On the other hand, a big railway company cannot do that. It must submit to the orders of the transportation board. The trucking companies have a multiplicity of methods of overcoming these difficulties. They can incorporate different companies and change over so that by devious methods they will get rid of the lines that do not pay. The railroads cannot do that.

Mr. MAGEE: The trucking industry, by reason of the fact that it is made up of many individual businesses, undoubtedly has a flexibility, in respect to its ability to do many things, that the railways have not got. It is one of our advantages in competing with the railways. We have the provision of personalized service to each shipper, that the railways, because of their very large organization, find it difficult to provide. It may be that in respect of mergers and sales, we have the greater flexibility. Certainly the railways have a greater flexibility in Canada to buy out our companies, as has occurred.

In so far as the railways operating in their own road-bed is concerned, the railways lay down their own road-bed and operate on it. They do that for one reason only, and that is because they are running trains on tracks, and it is the only way they can operate. We would certainly be very strongly opposed to any attempt to equate truck taxation with the tax that the railways pay, on the basis of the railways operating on road-beds of their own, and our operating on public highways, where we rent those highways for use. Why should we be penalized for the inflexibility of the railway system of operation?

Similarly, why would the airlines be penalized because they use the air, or why should the steamship companies be penalized because they use the waters, and do not have to lay down road-beds.

Mr. BOURQUE: There was no thought in my mind of penalizing anybody. I was only surmising that if we have to maintain certain affairs then perhaps you are paying more than your share. I do not know. That is why I say that some board of transportation could establish figures to point out if your industry pays, say, \$250 million of taxation per year, that is in conformity with the wear and tear. Perhaps you are paying more than what you should pay. We do not know. We are just dealing now with the position as we think it is. We have no basic factors on which to come to a decision as to what is fair.

Mr. MAGEE: Yes, sir. That is true. If the government will create an inquiry with the proper terms of reference in which this matter can be investigated, we will be glad to come before that investigation and state the position of the trucking industry on taxation. I cannot do it today. The last investigation that took place before World War II in the United States in this matter took two years. There has been another one going on in the United States and has taken two or three years so far. It is a very complicated question. Certainly the terms of reference would have to be laid down as to what confronts us, what we have to prove or state. We have always appeared before any federal body investigating these matters, and we have carried out whatever instructions were given to us whether by a federal body, or a research body, or any other organization. We have always cooperated with them.

Mr. BROWNE (*Vancouver-Kingsway*): Did not the Turgeon Royal Commission on Transportation make some comment on the position of the trucking industry in relation to their payment of their share of the road costs?

Mr. MAGEE: Yes, they did, Mr. Browne. The Turgeon Royal Commission on Transportation received representations from the railways and from the railway unions that the trucks did not pay their fair share of highway taxes. I do not think we have the Turgeon report with us, but the commission stated that this question had been raised and that so far as it could see, it could find no reason to state that the provinces were not charging the trucks the amount of money in taxes required to pay for the building of highways, if not to make a profit. If somebody has the Turgeon report, I can give the exact reference.

Mr. BOURQUE: We have gone a long way this afternoon, and I suggest it would be the proper thing to adjourn so that Mr. Chevrier, our expert in transportation, could be here to ask questions to which he might like to have the answers. I know nothing at all about transportation. This is the first time I have entered into any discussion on transportation, and I certainly am not fit to discuss this on behalf of the Liberal party. I would ask that we adjourn now so that Mr. Chevrier may be here at the next sitting and ask whatever questions he deems fit.

The CHAIRMAN: When would you suggest we sit again? This morning, Mr. Bourque, we discussed the difficulties which are being felt by committees. Tuesdays and Thursdays are so full that it makes it almost impossible to find a period during that time to meet.

Mr. BROWNE (*Vancouver-Kingsway*): I suggest that one of the reasons why we decided to sit this afternoon and proceed with the business was that one of the trucking association representatives comes from out of town, and we wanted to finish with them this afternoon so that they would not have to come back.

Mr. BOURQUE: I am not criticizing at all.

Mr. BROWNE (*Vancouver-Kingsway*): In so far as the passage of the bill is concerned, it will of course come out in the house again and Mr. Chevrier will have available to him the reports of the proceedings of this committee. It would seem to me that if he has any further comment to make at that time, he could well do it at that time.

Mr. BOURQUE: I certainly am not competent to represent the Liberal party. I know nothing at all about transportation. I think it would be only fair if we could postpone to a day when Mr. Chevrier could be here and when something is not taking up his time in the house, as he cannot do dual duty. It would be fair and courteous to adjourn to a day when he could be here.

The CHAIRMAN: We called the meeting for 2 o'clock this afternoon in order to make it possible for those who wanted to be in the house to be here.

Mr. BOURQUE: If Mr. Chevrier had to prepare documentation, and the house adjourned at 1 o'clock, he would not have had very much time to prepare it for the afternoon session and be here at 2 o'clock. I am sure he would have been here if it had been possible to do so. Anyway, I am only asking on behalf of my party that if possible we adjourn until he can be here.

The CHAIRMAN: I am in the hands of the committee, Mr. Bourque.

Mr. McPHILLIPS: This would really give rise to an intolerable position, since the same suggestion could be put forward on behalf of anyone. We have already given this a good deal more consideration than is necessary, and I think we should proceed.

Mr. SMITH (*Lincoln*): I am sorry I was not able to be here sooner but, seeing we have the representatives from the trucking companies here, there are a couple of questions I should like to put before the meeting is adjourned.

The CHAIRMAN: Go ahead, Mr. Smith.

Mr. SMITH (*Lincoln*): On the Niagara Peninsula where I reside we have several large trucking companies that operate in and out of there. Over the years they have built up a large business in overnight express transportation to Toronto and Montreal. They even go as far as Winnipeg but, of course, that is a two-day trip. Because the railway companies provided a rather slow service the trucking companies got the business, and they have been doing an excellent service for the peninsula in that overnight haulage, and also in their regular transportation.

Now we find that the railway companies have gone into this piggyback overnight service, which I am not opposed to at all. In fact I saw it operated in the old country some years ago and I often wondered how long it would be before we got it here.

The point I want to bring up is that I understand in order to get this business away from the trucking companies the railway companies have cut their rates by 25 per cent. We all like to see things being done cheaply, but is there any evidence that the railway companies are actually doing that work at less than cost?

Mr. MAGEE: That is a question which has always intrigued us. The representatives of the Board of Transport Commissioners are the gentlemen who have the figures and data, much of which are not available to the public. These are figures which cannot be tested by the trucking industry, because we have no status before the Board of Transport Commissioners as an interested party.

At the present time Mr. Browne has a private members bill which he is waiting to introduce in the House of Commons to amend the Railway Act. That has been waiting for a long time and, if passed, would make us an interested party before the Board in respect to rates which come under the Railway Act, and it would enable us to make representations on these matters.

So far as railway rates are concerned, they are being cut right, left and backwards, at the present time. I must also say, in order to give a balanced picture, that they are being cut in the trucking industry. The rate slashing going on between the two transportation agencies at present has reached critical proportions in some areas.

Mr. SMITH (*Lincoln*): At the present time the trucking companies have no way of approaching the board to go into this matter?

Mr. MAGEE: No, sir. I believe it was in 1957 that we made an attempt. We asked the Board to suspend certain rates in western Canada—the incentive rates—and investigate them. We claimed those rates were not compensatory to the railways, and were lower than necessary to meet competition. We made that complaint under section 334 of the Railway Act. The Board of Transport Commissioners did hear us, but they heard us under the Railway Act, of their own motion. The Canadian Trucking Associations was ruled to be not a party interested within the meaning of that act. In other words, under the terms of the act we had no right to appear before the Board to make a complaint. Of their own motion they decided to conduct an investigation and they called us as witnesses. I may say we did not succeed in proving our case, but the course of action taken by the Board shows that the law, as it stands at present, does not give us the right to approach the board as a transportation agency.

Mr. SMITH (*Lincoln*): The C.P.R. do not come into the Niagara peninsula. They probably pass by, but not the T.H. and B. Are the C.P.R. in the piggyback business too?

Mr. MAGEE: Yes, the Canadian Pacific are in the piggyback business. Both the Canadian National and the Canadian Pacific are in very fierce com-

petition among themselves to attract the piggyback business and flatcar traffic from the trucking industry.

Mr. SMITH (*Lincoln*): Have you ever been able to ascertain if the rates for the piggyback service on the C.P.R. and C.N.R. are the same?

Mr. MAGEE: They are pretty well the same. After the two railway companies have hammered out their differences behind the scenes in Montreal they pretty well emerge with the same terms. We hear of many battles going on between one railway and another, because one is pursuing a rate reduction which the other considers uneconomical; but those things never come out in the open. They somehow get together on these rates because they do not want to start cutting each others rates.

Mr. SMITH (*Lincoln*): Is here any way where either the C.P.R. or the C.N.R. would work in conjunction with the trucking companies whereby they would do the piggybacking for you?

Mr. MAGEE: To a certain extent we have reached that area of co-existence in the availability of piggyback service to the trucking industry. We have the choice, to-night and every night, as to whether we want to send our trailers from Montreal and Toronto by flat car or by highway. We can take them down to the piggyback yard or send them over the road. It is up to us every night and so long as the railways give a good service, they will get a certain number of trailers. Otherwise the highways will get them.

Mr. SMITH (*Lincoln*): You are not actually shut out of the railway piggyback service?

Mr. MAGEE: No sir. We were shut out of it in the Maritimes by the Canadian National for a while but they are in process of opening up the piggyback service now. I think their problem in the Maritimes was that they were practically the sole operator. The C.N.R. has a very large railway operation covering the four provinces and they did not want to carry the trailers of Smith Transport Limited, which is the largest trucking industry in Canada, and which is owned by the C.P.R. They have overcome that now; the service is available to us and, because it is available to us, Smith must have the right to ship their trailers on the C.N.R. flat cars.

Mr. SMITH (*Lincoln*): Are the C.P.R. interested in any other Canadian transportation company?

Mr. MAGEE: The Canadian Pacific are highly interested in trucking companies. They purchased and operate them from Vancouver Island right through the maritimes, stopping short of Prince Edward Island and Newfoundland.

Mr. SMITH (*Lincoln*): What about C.N.R.?

Mr. MAGEE: The Canadian National has made some very interesting purchases in the trucking industry.

Mr. SMITH (*Lincoln*): So we have reached the point where the two are becoming interwoven, from a financial and operational point?

Mr. MAGEE: Yes, at the moment the trucking industry is being bought up by the railways. So far, they are running their trucking subsidiaries in competition with themselves, but how long they will continue to do that I do not know. The two railways are now among the largest truck operators—highway transport operators—in Canada.

Mr. KEAYS: I was going to suggest that we consider the request made by Mr. Bourque, but I believe they have sent down for information concerning Mr. Chevrier so I shall defer the matter.

Mr. GRILLS: Mr. Magee, you accept that we must have railways in Canada, and that the trucking industry can never take the place of railways?

Mr. MAGEE: We certainly accept it at the present time and for the foreseeable future, that we must have railways in Canada. Some people in the trucking industry envisage the day that we will not require any railways, but I cannot envisage that myself. On the other hand I did not think we could survive three days of the nationwide railway strike in August, 1950. I was quite wrong about that. We operated for nine days and members of parliament, when they assembled to end the strike, did not find the nation was in absolute chaos. It is very hard to predict how these developments are going to go.

Mr. GRILLS: It would not be practical for you to handle large tonnages of such things as ore all over the country.

Mr. MAGEE: There is some truck transportation of ore and grain, but certainly that is a type of traffic which happens to be ideally suited to movement by rail. Mass transportation does not require the type of handling you have to use in handling merchandise, where the shipper has very special requirements concerning time of deliveries, inventories, and that type of problem. I have nothing against railways—I travel myself by rail.

Mr. GRILLS: It seems that because we are so broad as a country we must have railways, and as representatives of the people we feel the railways must be maintained.

Mr. MAGEE: Certainly.

Mr. GRILLS: I admit the trucking industry serves a very useful purpose, but I think we must keep it at the back of our minds that the railways come first.

Mr. MAGEE: We do not feel that we are an accepted industry federally in the way the railways and even the airlines are. For some reason we do not seem to have been successful in achieving that status, and I do not mean that from any prestige standpoint. Somewhere along the line perhaps we have failed to do that. There is something wrong somewhere, but I do not know just what it is.

Mr. ROGERS: I should like to pursue that question one step further. I appreciate that you put up a good presentation and that trucking services certainly serve a useful purpose, but would you not agree that there are areas and times when there is a need for a railway, and a railway has got to be there? I have in mind certain areas where the roads become blocked. Stock has to be taken to market and in such a case you have to depend on the railways. You cannot depend on trucks. I mean there is this element of need that you have not got with the trucking industry, and I am trying to be fair about the matter.

Mr. MAGEE: Our position is that at the present stage of Canada's development it is quite inconceivable that we could operate without railways.

Mr. ROGERS: I agree. Surely the shippers use the trucking firms and associations when conditions are good but, when conditions will not permit the trucking firms to handle their business, they have to fall back on the railways? Under the law the railways are obliged to supply a service.

Mr. MAGEE: Yes.

Mr. ROGERS: So I think there is a different need for a railway than there is for a trucking company. That is the point I am trying to bring out.

Mr. MAGEE: I do not know what constituency you represent, but are the shippers in your area being let down by the trucking companies?

Mr. ROGERS: I am thinking of the area in which I lived formerly. I come from the Red Deer district and this has happened in the Red Deer district, but I am thinking more of the days when I was in the Cyprus hills district.

Mr. MAGEE: But the trucking industry has come a long way in its development from that time. We run all the year round. There is no trucking company

working out of Ottawa or Toronto, in B.C. or in other parts, which does not operate all winter.

Mr. ROGERS: There are certain areas where the trucking firms cannot work at certain times.

Mr. GILLIS: As an example, last December we had a terrific snowstorm, and this did not involve the trucks. I took the train from Ottawa to Belleville, the Toronto train, and a gentleman was complaining bitterly about having to stand up on the train. The train was crowded—it was packed. I had heard him say his car was at Malton, and he was saying: "Why don't they do something about railway service?" I said, "Didn't I hear you say you had your car at Malton?" and he said, "Yes." "Well," I said, "you must have intended to fly." He said, "I did." "Well," I said, "you are the man who should be standing, you are the man who is complaining, and yet you are not using the railway." The railway was the only way out of Ottawa. That was the time when snow was bad, and the railway could get through. If it had not been for the railways, there would have been no transportation out of Ottawa to anywhere you wanted to go. That is one place where they had provided service.

I feel, having to serve the purpose they do, we have to give them first consideration, and the Canadian National Railways, which is owned by the taxpayers of Canada, fortunately or unfortunately—we have it, and we have to protect it, and we should do so—it appears to me that the ace-in-the-hole is the railroad.

The CHAIRMAN: Now, gentlemen, I am sure we have had a very complete and comprehensive discussion on railway transportation and freight rates. I do sometimes wonder whether we have got a little bit away from the purpose of the bill, once in a while, which is to extend for not more than twelve months the period during which reduced freight rates under the Freight Rates Reduction Act shall be applicable. Have you any more questions to ask of Mr. Magee?

Mr. MAGEE: Mr. Chairman, there was one question earlier that I did not have the figures immediately available for, on the tonnage moved by trucks. Mr. Montague can give those figures to the committee.

Mr. MONTAGUE: In 1957 railways handled 197 million tons of freight in Canada. For-hire trucks, the industry we represent, handled 126 million tons of freight. The trucks, as a percentage of the rail total, were 64.5 per cent of the railway total in tonnage, only.

Mr. FORBES: Thank you very much.

Mr. MAGEE: That is quoting Mr. George Wagdin, of the D.B.S., from a paper he delivered: "Statistics and the Growth of Road Transport".

Mr. BROWNE (*Vancouver-Kingsway*): May I ask a question in connection with these figures? That is actually less than car-load freight; it does not include any car-load material, does it?

Mr. MONTAGUE: That is the total.

Mr. KEAYS: This would therefore include all local transport, such items as gravel and sand which the railways naturally do not carry in any small area. I mean, you have not got the figures which compare between the same products carried by the railways, as against the trucking industry.

Mr. MAGEE: Yes, these are comparable, because they eliminate the local cartage truckers. These are truckers hauling in inter-city freight movement, in competition with the railroads.

Now, the ton miles that we produce, that is another part of the question, and it must be remembered also that on many of these hauls our length of haul would not be as great as the railways; but in the actual tonnages in 1957, the truck tonnage moved by the trucking industry, inter-city, was 64.5 per cent of the rail tonnage moved in that year.

The CHAIRMAN: Any other questions, gentlemen?

Mr. SMITH (*Lincoln*): Then, in those figures do you include the piggyback movement that the trucking industry brought to the railway?

Mr. MAGEE: Well, any piggyback movement of the trucking industry trailers would not show up in those figures. It would show up hardly at all, because the piggyback of the trailers of the trucking industry did not begin until the end of 1957. The railway tonnage figures—I do not know whether that would include their own piggyback, because, of course, they were hauling their own trailers since the end of 1953.

The CHAIRMAN: Any further questions of the witnesses, gentlemen? I am sure we appreciate the very fine brief that has been presented to us by Mr. Magee and Mr. Montague on behalf of the Canadian trucking associations. If there are not any further questions, now, we did have a question raised by Mr. Bourque and Mr. Badanai in regard to whether we should continue with the bill, or whether we should meet again.

Mr. BADANAI: In connection with that, Mr. Chairman, if I may be permitted, I would like to move that this committee meeting dealing with bill C-93 do now adjourn to a date and time when bill C-94 is either disposed of, or not up for discussion in the house.

The CHAIRMAN: Of course, we also have another bill on transportation with regard to shipping which is coming up, as well, and Mr. Chevrier will want to be there for that.

Mr. BADANAI: Well, in any event, I would like to move this resolution with regard to bill C-94, that it be disposed of first.

Mr. LESSARD: I will second that, Mr. Chairman.

Mr. KEAYS: I am a little averse to wishing to support that motion because of the whim of one person who wishes to be here. This same action could be taken at every committee meeting. We all like to be nice to the opposition and like to respect their rights, but if we start doing this, it will become a permanent fixture at every committee hearing. It is unfortunate that Mr. Chevrier is not here, but I think he still has a right to speak, and know that he will speak on this when it comes before the house.

Mr. ROGERS: We have spent a long time on this, this morning, already.

Mr. BOURQUE: Mr. Chairman, as Mr. Chevrier is the only man here who can speak on this subject with knowledge, I submit it would be only fair and courteous for this committee to adjourn, because Mr. Chevrier is now discussing in the house the transport estimates.

The CHAIRMAN: Not the transport estimates.

Mr. BOURQUE: Well, bill C-94 is before the House of Commons. He cannot be in two places at the same time, and I submit that we should give him a chance to be able to come down here and give us his opinion, in the interests of everybody, because, as I said, I do not know anything at all about this, and Mr. Chevrier, having been Minister of Transport, has great knowledge. No doubt he can enlighten the committee on a lot of points and ask questions that will be right to the point. I submit that, out of courtesy, we should adjourn so that he can come before this committee.

The CHAIRMAN: You understand, Mr. Bourque, that Mr. Chevrier was here this morning from 9.30 to ten minutes to eleven?

Mr. BROWNE (*Vancouver-Kingsway*): Well, Mr. Chairman, I feel this is putting the members of the committee in a rather unfair position. After all, we can hardly be responsible for how the opposition party chooses to divide

their labour. It seems to me, if they have only one person in their party who is in any way qualified to speak on transportation, we are going to have a continual bottleneck, if we have to sit there until that one person is available.

Mr. BOURQUE: I said he was the only person who was an expert on that, and he was more qualified than any of us because he understands the field better than us.

Mr. BROWNE (*Vancouver-Kingsway*): As I was saying, I do not feel that it is our responsibility as to how the Liberal Party chooses to divide its labour. They cannot be here all the time for all committees, but that is not our fault; that is what the electors decided to do, and we cannot have our time wasted because of the wishes of one member. I think this is a very important bill, and it should be proceeded with.

Mr. BADANAI: Mr. Chairman, I would like to ask how long this would delay the passing of the bill, if we waited, say, until Friday?

The CHAIRMAN: Well, are we sure that all the members that are here, can be here on Friday?

Mr. BADANAI: What about tomorrow?

Mr. KEAYS: If we are going to eventually bring politics into this question, I would like to amend the motion that we meet at six-thirty tonight.

Mr. BADANAI: That is hardly fair, Mr. Chairman. As you know, the house does not adjourn until six, and then resumes again at seven-thirty. I do not think that is a fair suggestion at all. We cannot be in two places at once.

Mr. BOURQUE: Mr. Chairman, if this gentleman says he is not going to bring politics in, I would say he is bringing in closure. I do not think it is at all fair, to suggest that.

The CHAIRMAN: There is not a question of closure in this committee, at all.

Mr. BOURQUE: Well, after all, we are entitled to have a meal.

The CHAIRMAN: We have a motion by Mr. Badanai, seconded by Mr. Lessard, that the committee meeting dealing with bill C-93 do now adjourn to a date and time when bill C-94 is either disposed of, or not up for discussion in the house. Are you ready for the question, gentlemen? All those in favour of the motion, signify.

The CLERK OF THE COMMITTEE: Four.

The CHAIRMAN: Those opposed?

The CLERK OF THE COMMITTEE: Four.

The CHAIRMAN: That puts your chairman on a spot, does it not? Has anyone any information as to just what position the bill is in the house at this moment?

Mr. BOURQUE: I think we have all been here all afternoon, Mr. Chairman. I do not know.

The CHAIRMAN: You want me to bring in closure?

Mr. MCFARLANE: Mr. Chairman, could we call a meeting tomorrow at 2 o'clock?

The CHAIRMAN: Well, gentlemen, the agenda is filled for Tuesday and Thursday, as you probably well know. Most of you belong to other committees, and as far as rooms to sit are concerned, they are practically taken up.

Mr. KEAYS: Is there any time available for tomorrow?

The CHAIRMAN: We cannot be sure that we can complete this in an hour.

Mr. KEAYS: We got along well this afternoon, but we certainly made no headway this morning. If we had got down to business this morning—and I want to say that—we would probably be through.

The CHAIRMAN: Well, gentlemen, as I say, you have put me in a rather difficult position, as your chairman.

Mr. ROGERS: Well, you are used to that.

Mr. BOURQUE: Mr. Chairman, are the railways going to be called, and will there be a similar affair for the railways?

The CHAIRMAN: No, we have had the board of transport commissioners. They were heard this morning.

Mr. BOURQUE: Only the trucking industry is bringing a brief?

The CHAIRMAN: The board of transport commissioners representatives were here this morning and answered questions with regard to the railway's position.

Mr. BOURQUE: The only point I had in mind was this, that if Mr. Chevrier should ask a lot of questions of the trucking industry, then it would be unfair not to be able to ask the same questions of the railways. So, if he asks questions of the representatives of the trucking industry, then he would ask similar questions, perhaps, of the railways, and we would get a fairer hearing. But as it stands now, if we only get the one side, we cannot come to any decision, anyway, can we?

The CHAIRMAN: Yes, but we had questions this morning, of the board of transport commissioners.

Mr. McPHILLIPS: Mr. Chevrier, if we have to consider Mr. Chevrier so much, he terminated his questioning of representatives of the board this morning. He did not have anything hanging over.

The CHAIRMAN: Correct.

Mr. ROGERS: I rather disagree with that. I took from what Mr. Chevrier said, that he was not too interested in this afternoon, but was more interested in prolonging the discussion with the board of transport commissioners. He certainly was not through with the board of transport commissioners.

The CHAIRMAN: Well, will you vote on this motion, then, Mr. Rogers?

Mr. ROGERS: What is the motion?

The CHAIRMAN: That the meeting adjourn to a date and time when bill C-94 is either disposed of, or not up for discussion in the house.

Mr. McPHILLIPS: Mr. Chairman, I must take a point of order on that. He cannot vote, now. He has lost his chance. It is out of order.

Mr. BADANAI: On that point, the committee has voted, and we are awaiting the decision of the chairman. I think any subsequent discussion of it is out of order, as far as the motion is concerned. It is up to the chairman, now, to decide whether we approve of the resolution or not.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I think the committee might feel differently if we had some idea when bill C-94 was going to conclude, but I understood there were over a hundred clauses in this bill, and knowing how complicated the Canada Shipping Act is, and how it has been hanging around for the past couple of years, this could go on for a very long time.

The CHAIRMAN: No. C-94 is the directors' bill.

Well, gentlemen, as I say, you have put me in a rather difficult position. I will go along with Mr. Badanai's motion, and I would like to suggest that we should meet on Wednesday afternoon, at three o'clock.

Would someone make a motion to that effect?

Mr. McFARLANE: So moved.

Mr. BANDANAI: Seconded.

The CHAIRMAN: Moved by Mr. McFarlane, and seconded by Mr. Badanai, that this committee rise and continue these proceedings at three o'clock on Wednesday afternoon.

Motion agreed to.

One further question: Would you like the members of the trucking association to be back here on Wednesday afternoon?

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chevrier has given no indication that he wants the trucking people here.

APPENDIX TO THE MINUTES OF PROCEEDINGS AND EVIDENCE (No. 3)
OF WEDNESDAY, MARCH 15, 1961, RELATING TO BILL S-13, AN
ACT RESPECTING CANADIAN PACIFIC RAILWAY. IN
COMPLIANCE WITH RESOLUTION PASSED ON
THE SAME DATE AND RECORDED ON
PAGE 56 HEREINBEFORE.

CANADIAN PACIFIC RAILWAY COMPANY
LAW DEPARTMENT
Office of the Commission Counsel

J. A. WRIGHT, Q.C.,
General Solicitor
K. D. M. SPENCE, Q.C.,
Commission Counsel
J. E. PARADIS, Q.C.,
Assistant Commission Counsel

TELEPHONE: UN. 1-6811
Local 2559
MONTREAL 3, April 14, 1961.
File No. C-30517-1

Mr. E. H. Jones,
Clerk of Standing Committee on Railways, Canals and Telegraph Lines,
West Block,
OTTAWA, Ontario.

Dear Mr. Jones:

When Bill S-13, "An Act Respecting Canadian Pacific Railway Company" was considered by the Standing Committee on Railways, Canals and Telegraph Lines, on March 15th, 1961, a motion was made at the close of the proceedings for production by Canadian Pacific Railway Company of the rates that would be charged on the proposed branch line.

The motion was adopted and the Railway Company was directed to file with the Committee a memorandum of the rates applicable to the proposed branch line. The motion further provided that the information to be supplied by the railway company would be printed as an appendix to the Committee's proceedings of a subsequent meeting.

Evidence was adduced before the Committee to the effect that the products that would be shipped on the proposed branch line from the plant of British American Oil Company, would be sulphur, propane and butane.

Attached is a list of examples showing the rates to be charged on these products moving from the British American Oil Company plant to representative points. Those marked with an asterisk are rates applicable to meet foreign market competition while those which are not so marked are on a mileage basis as are the rates from other Alberta shipping points on the same products, to points where foreign competition is not being met.

Yours very truly,

J. E. PARADIS

JEP/CA
Encl.

RATES ON SULPHUR, PROPANE AND BUTANE FROM
BRITISH AMERICAN OIL COMPANY PLANT NEAR RIMBEY, ALBERTA,
TO REPRESENTATIVE POINTS

SULPHUR TO VANCOUVER, B.C. FOR EXPORT

From	Miles	Present Rate	Proposed Rate
Per 100 lbs.			
Drywood, Alta.....	779	*45c	—
Rimbey Spur.....	797	—	*45c

SULPHUR TO EASTERN CANADA

From	To	Miles	Present Rate	Proposed Rate
Per 100 lbs.				
Drywood, Alta.....	Burlington, Ont.....	2,088	*92c	—
Rimbey Spur.....	Burlington, Ont.....	2,145	—	*92c

PROPANE AND BUTANE TO VANCOUVER, B.C.

From	To	Miles	Present Rate	Proposed Rate
Per 100 lbs.				
Calgary, Alta.....	Vancouver, B.C.....	642	\$1.28	—
Drywood, Alta.....	Vancouver, B.C.....	779	*\$1.28	—
Rimbey Spur.....	Vancouver, B.C.....	797	—	*\$1.28

PROPANE AND BUTANE TO INTERIOR BRITISH COLUMBIA DESTINATIONS

From	To	Miles	Present Rate	Proposed Rate
Per 100 lbs.				
Calgary, Alta.....	Nelson, B.C.....	415	\$1.08	—
Drywood, Alta.....	Nelson, B.C.....	307	.94	—
Rimbey Spur.....	Nelson, B.C.....	567	—	\$1.24

PROPANE AND BUTANE TO EASTERN CANADA

From	To	Miles	Present Rate	Proposed Rate
Per 100 lbs.				
Drywood, Alta.....	North Bay, Ont.....	1,881	*\$1.73	—
Calmar, Alta.....	North Bay, Ont.....	1,890	*\$1.73	—
Rimbey Spur.....	North Bay, Ont.....	1,938	—	*\$1.73

PROPANE AND BUTANE TO UNITED STATES DESTINATIONS

From	To	Miles to North Portal, Sask. (Jct. with Soo Line RR)	Present Rate	Proposed Rate
Per 100 lbs.				
Breton, Alta.....	Minneapolis, Minn.....	666	\$1.02	—
Calmar, Alta.....	Minneapolis, Minn.....	634	.97	—
Rimbey Spur.....	Minneapolis, Minn.....	658	—	\$1.02

* Competitive—to meet foreign competition.

HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61



STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 5

WEDNESDAY, MAY 24, 1961

Respecting
Bill C-93, An Act to amend the Freight Rates Reduction Act.
Including Fifth and Sixth Reports to the House

WITNESSES:

Mr. John Magee, of the Canadian Trucking Associations, Inc.; Mr. Rod Kerr, Mr. L. J. Knowles and Mr. M. E. Burwash, of the Board of Transport Commissioners.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

REPORTS TO THE HOUSE

THURSDAY, May 25, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FIFTH REPORT

A copy of further evidence submitted to the Committee in relation to Bill S-13, An Act respecting Canadian Pacific Railway Company, reported to the House in the Committee's Fourth Report on Wednesday, March 15, 1961, is now tabled.

Respectfully submitted,

W. M. HOWE,
Chairman.

THURSDAY, May 25, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SIXTH REPORT

Your Committee has considered Bill C-93, An Act to amend the Freight Rates Reduction Act, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence respecting the said Bill is appended.

Respectfully submitted,

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 253-D.

WEDNESDAY, May 24, 1961.

(6)

The Standing Committee on Railways, Canals and Telegraph Lines met at 3.00 o'clock p.m. The Chairman, Mr. W. M. Howe, presided.

Members present: Miss LaMarsh, and Messrs. Asselin, Baldwin, Bourget, Bourque, Browne (*Vancouver-Kingsway*), Campeau, Creaghan, Crouse, Denis, Fisher, Granger, Grills, Horner (*Acadia*), Howe, Keays, Martin (*Essex East*), Martini, McBain, McFarlane, McPhillips, Monteith (*Verdun*), Pascoe, Rapp, Rogers, Smith (*Lincoln*), Tucker.—(26).

In attendance: Hon. Leon Balcer, Minister of Transport. *From the Board of Transport Commissioners:* Messrs. Rod Kerr, Chief Commissioner; H. H. Griffin, Assistant Chief Commissioner; L. J. Knowles, Commissioner; H. Ellicott, Assistant Director of Traffic; M. E. Burwash, Director of Economics. *From the Canadian Trucking Associations Inc.:* Mr. John Magee, Executive Secretary, and Mr. George Montague, Secretary and Legal Counsel of Applied Economic Research Associates. Also Mr. P. M. Ollivier, D.C., LL.D., Parliamentary Counsel.

The Committee resumed from Monday, May 22nd, its consideration of Bill C-93, An Act to amend the Freight Rates Reduction Act.

Mr. John Magee of the Canadian Trucking Associations Inc. was recalled. In the course of his examination the witness filed certain returns in answer to questions directed to him at an earlier sitting.

At the conclusion of his testimony, Mr. Magee was thanked by the Chairman for his contribution and in turn the witness expressed his gratitude to the Committee for their consideration.

Dr. P. M. Ollivier was also invited to give his views on the propriety of the amendments submitted by the Canadian Trucking Associations Inc.

The members and officials of the Board of Transport Commissioners were recalled, and Mr. Kerr, Mr. Knowles and Mr. Burwash were questioned briefly.

Clauses 1 and 2 of the bill the preamble and title thereof were severally considered and adopted and the said bill ordered to be reported to the House without amendment.

The Chairman informed the Committee that two other bills had been referred to it and would be considered at a later date.

At 4.35 o'clock p.m. the Committee adjourned to meet again at 9.30 o'clock a.m., Monday, May 29th, 1961.

Antoine Chassé,
Clerk of the Committee.

EVIDENCE

WEDNESDAY, May 24, 1961.

The CHAIRMAN: Gentlemen, I see a quorum. On Monday we had not quite completed the questioning of the trucking associations in connection with their brief on this bill. I understand Mr. Magee of the trucking associations has the answers to some of the questions which were asked on Monday.

Mr. JOHN A. D. MAGEE (*Executive Secretary, Canadian Trucking Associations Inc.*): Mr. Chairman, the first question is one by Mr. Keays and the reply is as follows:

Average net earnings, trucking companies hauling merchandise

The net earnings of these companies may be sampled from data in the Dominion Bureau of Statistics publication, *Motor Carrier-Freight*, and pertaining to 'for hire' trucking firms with gross revenues in excess of \$100,000 per annum.

1958 (latest year for which data available)—

Gross revenues\$245,436,932

Net revenue\$ 11,266,820

These figures indicate a profit ratio of less than 5% on gross sales.

The net revenues figure includes the "profits" which, in effect, are the remuneration of owner-managers. If the allowance for managerial salaries of working proprietors was deducted from the net revenue figure, the adjusted net revenue figure would amount to less than \$11,000,000. The adjusted net revenue rate (as calculated in relation to sales) would amount to 4%.

The net revenue figure does not include marginal operators who went out of business in 1958.

The CHAIRMAN: Is that satisfactory, Mr. Keays?

Mr. KEAYS: Yes, thank you.

Mr. MAGEE: Next, there are two questions asked by Mr. Baldwin and the answers are as follows:

Increase in vehicle capacity

Data available does not permit of a simple table to illustrate vehicle capacity. By way of illustration, other calculations have been prepared

FLEET CAPACITY COMMERCIAL TRUCK OPERATIONS 1946-1957

Year	Number of Carriers reporting ¹	Total Estimated fleet capacity tons ²	Average capacity per trucking firm tons
1946.....	467	43,811	9,381
1947.....	510	51,819	10,161
1948.....	597	55,567	9,308
1949.....	622	60,500	9,727
1950.....	718	71,480	9,955
1951.....	810	83,802	10,346
1952.....	908	103,173	11,363
1953.....	951	122,256	12,856
1954.....	848	113,748	13,414
1955.....	912	128,127	14,049
1956.....	871	142,632	16,376
1957.....	768	153,186	19,946

SOURCE: Dominion Bureau of Statistics, *Motor Carrier, Freight-Passenger*, 1946-1955, and *Motor Carrier-Freight*, 1956 and 1957

¹Carriers with gross annual revenues of over \$20,000. Due to annual variations in statistical coverage, total figures are less reliable than the derived averages. On the other hand, due to an improvement in coverage, the trends thus derived tend to under-estimate the growth of the average firm.

²Estimated from Dominion Bureau of Statistics. *Op. cit.*

Further analysis of fleet capacity figures reveals that with the increase in fleet capacity a definite shift in fleet composition has taken place, the importance of semi-trailers and trailers increasing relatively to that of trucks.

CHANGE IN FLEET COMPOSITION, 1946-1957

Year	Total estimated capacity of reporting carriers tons	Estimated capacity of trailers and semi-trailers tons	Trailers and semi-trailers as % of the total %
1946.....	43,811	26,083	59.5
1947.....	51,819	32,016	61.8
1948.....	55,567	33,041	59.5
1949.....	60,500	37,136	61.4
1950.....	71,480	46,162	64.6
1951.....	83,802	57,169	68.2
1952.....	103,173	72,838	70.6
1953.....	122,256	92,788	75.9
1954.....	113,748	88,859	78.1
1955.....	128,127	100,255	78.2
1956.....	142,632	113,805	79.8
1957.....	153,186	124,583	81.3

SOURCE: Estimates derived from Dominion Bureau of Statistics, *Op. cit.*

Increase in tonnage carried by 'for hire' trucks

Year	Tons carried
1957.....	127,793,000
1958.....	140,405,000

SOURCE: Dominion Bureau of Statistics, *Motor Transport Traffic, National Estimates*, 1958.

No reliable statistics exist prior 1958. Historical series are of value as indicators of the general rate of growth only, since data previous to 1956 are of the character of general estimates.

It may be assumed that since 1958, the trucking industry's rate of growth has been of the general order of 5-10%.

Mr. BROWNE (*Vancouver-Kingsway*): I wonder if Mr. Magee has more material with him today. I am interested in the question of the position on subsidies taken by the maritime governments, the government of Saskatchewan and the government of British Columbia. I wonder if he is in a position to indicate the exact position they took in regard to subsidies, so that the members of this committee from various areas would be aware of the attitude taken by those governments.

Mr. MARTIN (*Essex East*): We already have that information. It is public knowledge.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chevrier took up half the time the other day putting on the record things which had been put on the record a dozen times.

Mr. McPHILLIPS: I would not think this witness competent to deal with subsidies granted by provincial governments.

Mr. BROWNE (*Vancouver-Kingsway*): That was not what I was asking for. This was a question I asked at that time as to the position taken before the royal commission on transportation by the various provincial governments. I felt concerned that the members of this house should know what stand those governments have taken on subsidization. I believe they put some information on the record which are public statements, but it would be very helpful to have those statements before the committee to indicate the position taken by those governments.

Mr. McPHILLIPS: My point still is that the witness is not competent to state the position taken by provincial governments.

Mr. HORNER (*Acadia*): If he states where he is getting the statement from, I do not see any objection to hearing him.

Mr. MARTIN (*Essex East*): Mr. McPhillips' point is a pertinent one. It is not fair to ask a witness to put on the record the statements of governments. Governments might conclude that the witness was anxious to put these on and would not be aware that they were being pressed.

Mr. HORNER (*Acadia*): If the witness is willing to put them on the record, I do not think we should hinder him.

Mr. MARTIN (*Essex East*): The minister is the man who should do that.

The CHAIRMAN: Mr. Magee, could you intimate to the committee just where you received this?

Mr. MAGEE: I was asked this question on Monday, about the attitude of provincial governments. Perhaps I introduced it myself in answering a question. It refers to the attitude of the maritime provinces, the province of British Columbia, and the province of Saskatchewan on the question of subsidies that would be payable in a non-discriminatory way to all forms of transport. I was speaking then from memory, and I attempted to give what those governments had said in their final arguments to the Royal Commission on Transportation. Now I have a volume here containing the final arguments of all the parties to the Royal Commission, including those governments. If the committee wishes, I could read the statements of policy that I quoted on Monday to substantiate our own position on this legislation.

The CHAIRMAN: Is that document which you are going to use available to the public?

Mr. MAGEE: Yes, sir. This is a transcript of the Royal Commission evidence, which would be available in the parliamentary library.

Mr. BROWNE (*Vancouver-Kingsway*): He indicated that he summarized those statements the other day in his evidence and I felt it was in the interest of the committee to have the accurate quotations from the royal commission proceedings, so that we would know exactly what position was taken.

The CHAIRMAN: Are they very long?

Mr. MAGEE: They will take about four minutes.

The CHAIRMAN: I just do not know whether the provincial governments will be in agreement with some other individual or some organization quoting opinions that they may have had. However, if it is the wish of the committee to have these statements made, that is all right.

Mr. FISHER: Did the Quebec government re-enter the final hearings with any changes from the original brief they put in? There was a switch in governments there.

Mr. MAGEE: Yes they did. The new government in Quebec presented an entirely new submission to the Royal Commission in January of 1961. There were many changes in policy then as compared to the one submitted by the previous government.

Mr. BALDWIN: May I ask what book it is you have there?

Mr. MAGEE: This is a publication of the Royal Commission on Transportation. It is entitled Royal Commission on Transportation—Summations and Arguments, Volume II, February 14, 1961. It is distributed. You can buy it from Angus, Stonehouse and Company Limited who were the official reporters for the Royal Commission.

Mr. BALDWIN: Is that the interpretation of the royal commission itself, of the arguments which were submitted by the various groups?

Mr. MAGEE: No, sir. This Royal Commission did something which has not been done before by Royal Commissions. They took the arguments of all of the parties who presented final arguments—which included most of the provincial governments, the railways, the grain trade and the trucking industry—

and they issued four volumes incorporating verbatim the arguments of all of those parties, and distributed them to all parties who had participated in the inquiry.

Mr. BALDWIN: Then this is the official copy of the arguments made by the various parties?

Mr. MAGEE: That is correct, sir. This came into our possession because we were a subscriber for the transcript of the hearings throughout the inquiry.

Mr. BALDWIN: That, surely, can be allowed. There is no question about it.

Mr. MAGEE: The position taken on transport subsidization by the government of Saskatchewan is contained in their official argument to the Royal Commission and is found at page 84 of volume II of Summations and Arguments issued by the Royal Commission under date February 14:

The government of Saskatchewan does not suggest that a national transportation subsidy ought necessarily to be restricted exclusively to rail traffic or rail carriers. Other carriers such as truck operators should not, of course, expect to receive the subsidy automatically as a matter of right, but might qualify for it by meeting specific conditions. Truckers, for instance, might establish eligibility under the unified system of transportation control proposed by the province on condition of compliance with rules and regulations laid down by the Canadian transportation authority and the inclusion of interprovincial trucking within the jurisdiction of that authority.

While Saskatchewan considers the preservation of the railway system of Canada to be a fundamental national necessity it is not the intention of this province to sanction railway monopoly or to prejudice the legitimate growth of the trucking industry or of any other medium of transportation. It is a basic assumption underlying Saskatchewan's recommendations, both for a unified pattern of transportation regulation and for a national transportation subsidy, that the various transportation agencies should be treated on a comparable basis to the fullest extent permitted by their physical characteristics and within the limits of administrative feasibility. It is urged that with this principle fairly applied in administering regulatory procedures and in determining the application of subsidy, all branches of the transportation industry should be able to compete successfully and provide the cheapest, most effective and most efficient transportation service to the people of Canada.

Mr. McPHILLIPS: Who made that submission on behalf of the Saskatchewan government?

Mr. MAGEE: It is signed by the Honourable T. C. Douglas, Premier of Saskatchewan. His signature actually appears in the transcript. The commission took the submissions and photostated them and that is how Mr. Douglas' signature happens to appear in that manner.

Dealing with the position of the maritime governments, I wish to explain to the committee that I shall try to summarize what they said, but I am not reading the detailed submissions by the governments of Newfoundland, Prince Edward Island, Nova Scotia and New Brunswick. I shall quote paragraphs from two particular parts.

On page two of volume number two dated February 14, 1961, of the transcript issued by the Royal Commission we find this:

The Maritimes Transportation Commission called for an updating of the Maritime Freight Rates Act by superimposing upon it a "rate difference" method of subvention to provide Atlantic industry with transport costs to the markets of Ontario and Quebec roughly equal to the prevailing transport costs from producing points nearer those markets.

The proposal for updating the Maritime Freight Rates Act had as its three requirements:

(1) It must be able to bridge the rate gap between maritime and central Canadian producers in the important market of central Canada.

(2) It must do this over time and must, therefore, contain a mechanism which will compensate for rate distortions arising (a) from disparities in the intensity of carrier competition in the two territories and (b) from horizontal percentage rate increases.

(3) It must not deprive Atlantic provinces shippers of the opportunity of availing themselves of services and rates of carriers other than the railways.

The Commission's brief recommended that the rate gap between the maritime and the central Canadian producers in the important markets of central Canada be bridged by the application of the "rate difference" subvention to the total rate. This "rate difference" subvention would be in addition to the present subvention paid on the portion of the rate under the Maritime Freight Rates Act.

That is the statement of the principles that were submitted to the Royal Commission by the maritime provincial governments, and on page 9 of the transcript the maritime provinces continue:

The submission of the Maritimes Transportation Commission called for the payment of the rate difference subvention on traffic outbound from the Atlantic provinces to all types of for-hire carriers.

Competition between the different forms of carriage is highly desirable and is of great importance to industries in the Atlantic provinces. The additional subvention proposed will not interfere with the natural development of competition between different types of carriers and thus will not deprive the users of transportation the free choice of carriers, if the payment of the rate difference subvention is made to all for hire-carriers. This includes railway, highway and water carriers.

Then, Mr. Chairman, the government of British Columbia also took a position on this matter, and the position they took is found at page 165 of the transcript for February 14, 1961. The province of British Columbia stated:

Direct subsidies, especially those given to one form of transportation to the exclusion of others, have many disadvantages. A direct subsidy given to one form of transportation which is in competition with another will encourage shippers to use the more costly agency—with resulting economic inefficiency. Various examples of this exist in Canada (bridge subsidy and Maritime Freight Rates Act) and a more correct allocation of resources would result if the subsidy was given to all forms of transportation. When the provision of less-than-cost-service is made possible not only is there an uneconomic expansion of activities at the expense of others, but inefficiency is encouraged. Any subsidy which is unrelated to efficiency must therefore be suspect from the economic point of view. A transportation industry—management, labour and capital—will continue to be inefficient when it is realized that the losses can be recouped from the government. It is therefore urged, on the grounds of efficiency and in the interest of long-term resource allocation, that subsidies for uneconomic services be of a declining nature. An example of a declining subsidy is the early air mail payments to Trans-Canada Airlines and to subsidy payments to U.S. air lines. Where transportation services are now operated at a loss but where it appears that long run economies will make them low cost and profitable, it would seem that direct subsidies on a declining basis, conditional upon increased

efficiency, would be in the interests of economic efficiency. Such a subsidy would induce transportation operators to concentrate their services on their most economical routes, rather than dissipate their resources over all routes, high cost or low. Subsidies should only be granted because of compelling national interest.

I appreciate the indulgence of the committee, Mr. Chairman, in allowing me to read the actual quotations, as I am afraid I did not make a good job of summarizing them here last Monday.

Mr. McPHILLIPS: You have dealt with the British Columbia submission, but the province of British Columbia does subsidize the Pacific Great Eastern. Does it subsidize any truck runs?

Mr. MAGEE: Not that I am aware.

Mr. McPHILLIPS: So their argument is a bit off base.

Mr. CREAGHAN: It is do as I say, not do as I do.

The CHAIRMAN: Are there any questions in connection with the brief?

Mr. MARTIN (*Essex East*): Have you given any consideration as to whether or not this bill, in effect, provides for any retroactive payments to the railways? Have you had your legal counsel go into that aspect of the bill?

Mr. MAGEE: No we have not, Mr. Martin.

Mr. MARTIN (*Essex East*): I suggest this bill, as drawn, does not provide for any payment retroactively to the railways.

Mr. MAGEE: Our argument on the bill, Mr. Martin, has been addressed to the fact that there is aid made available to the shipper, whenever the bill legally comes into effect, but the way that it is made available to the shipper is that the railways are appointed as the chosen instrument of the government of Canada to pay the aid. They are the medium through which the aid is paid.

Mr. MARTIN (*Essex East*): I am not questioning the aid to the shipper. I am just trying to ascertain formally, have you given consideration to the proposition I made that the bill does not really, whatever may have been the intention, provide for any retroactive payments to the railways?

Mr. MAGEE: Yes, I can say that we have examined the legal aspects of the bill but we have not made any representations based on that study and I am not authorized to say anything in that regard.

Mr. MARTIN (*Essex East*): It is stated that the railroads will get a subsidy of about \$70,000 a day. I have no doubt that is the intention, but I am advised by people who have gone into this matter carefully that the wording of the bill is such that it does not provide for this subsidy at all to the railways. I was going to ask the minister to comment, but have you gone into that aspect of it?

Mr. MAGEE: We have looked into all aspects of the bill and into the situation that is projected by you, Mr. Martin, but I do not think I have anything I could offer that would assist in regard to the question that has been raised.

Mr. FISHER: Do you think it would be possible for us to include the truckers in a bill such as this, in the present state of your relationship under federal jurisdiction.

Mr. MAGEE: Mr. Fisher, we are not proposing that the truckers be included in this legislation. We are proposing that where competition can be proved to exist in the areas where the railways' non-competitive rates have been reduced by the subsidy, the Board of Transport Commissioners be authorized to raise the railway rates and continue the aid to the shipper by paying the subsidy directly to the shipper rather than making the aid available to the shipper through the railways; at present, the shipper is restricted, if he wants to get the aid, to the railways.

The CHAIRMAN: Before you ask any more questions, Mr. Fisher, arguments were raised the other day with regard to the suggested amendments and I have asked Doctor Ollivier to come here and give his opinion as to whether it is possible for the committee to deal with the proposed amendments according to our terms of reference. Probably Doctor Ollivier can answer that question but, of course, I do not want to cut off discussion.

Mr. FISHER: My reason for asking the question is that I, like a lot of other members of the committee, received a number of wires and letters from various truckers and trucking associations across the country and I cannot get clearly from them exactly what they want. I just wanted to know about the proposals that this association or others might have in so far as bringing trucking under federal jurisdiction.

Mr. MAGEE: On the question of control and regulation of trucking, the position of Canadian Trucking Associations is that the control and regulation of international and interprovincial trucking should be placed on a revised basis, which would require new federal legislation, repealing the existing federal Motor Vehicle Transport Act and substituting a new act which would continue the provincial regulatory boards as the controlling agencies for all aspects of trucking but which would join them together in a unified, coordinated system of control, thus getting rid of the very serious problems we have today under the Motor Vehicle Transport Act.

The act has not worked out and we made representations to the Royal Commission on Transportation asking the commission to recommend a new federal act that would be cast along the lines I have outlined.

Mr. FISHER: You have not had any acknowledgment, say, from the Minister of Transport in the present government as to how the government views this question?

Mr. MAGEE: We have not made any submission to the government recently on the question of international and interprovincial truck control. We felt that as a Royal Commission was sitting and as the government had appointed it to study these problems and to advise it what the best solutions would be, the Royal Commission on Transportation was the correct body to approach with our proposals, and we presented this as part of our submission to the commission. We were before the commission for many days in April and May, 1960, under cross examination and substantiating our brief.

The CHAIRMAN: This might be a good time to deal with these amendments which are printed in the report of the proceedings of Monday. Not being sure how to deal with them I asked Doctor Ollivier to come along and give an opinion on them.

Dr. P. M. OLLIVIER (*Parliamentary Counsel, House of Commons*): Mr. Chairman, I think Mr. Fisher's point is well taken. To my mind this whole discussion is, to a certain extent, out of order, but, of course, if the committee wants to hear these representations now, then they are entitled to hear them. But when it comes to amending the act the position is different because the order of reference to this committee is purely "An act to amend the Freight Rates Reduction Act". If I may quote a citation from Beauchesne:

A committee can only consider those matters which have been committed to it by the house.

A committee is bound by, and is not at liberty to depart from, the order of reference.

In the case of a select committee upon a bill—

—which this committee is

—the bill committed to it is itself the order of reference to the committee, who must report it with or without amendment to the house.

The bill you have in front of you is not the Freight Rates Reduction Act. It is just an act to amend the Freight Rates Reduction Act and I think the substance of the Bill is summarized in the resolution passed in the House before the legislation was introduced, to the effect that it was expedient to introduce a measure to amend the Freight Rates Reduction Act to extend for not more than twelve months the period during which the revised rates under the said act shall be applicable and to increase the authorized expenditure under the act by an additional twenty million dollars.

That is all you have in front of you, whether you should extend the act for one year, for a period of twelve months and, for that purpose, whether you should provide an additional amount of twenty million dollars.

It is not a question of the policy of the whole act. I do not think this committee is at all entitled to consider the question of policy whether these amounts should be paid to the trucking industry as well as to the railways. That is not before the committee. The only thing before the committee is whether the Act, as it now exists, should be extended for a period of twelve months and whether you should provide the necessary amount of twenty million dollars for those twelve months. If I remember rightly last year it was \$15 million and the period was nine months. This year it is a twelve-month period and is \$20 million. If you bring in any amendments which will involve a question of policy or which go beyond the scope of the act, that would be out of order.

Mr. CREAGHAN: What type of amendment, in your opinion, would be in order?

Dr. OLLIVIER: You could reduce it to six months and reduce the amount to \$10 million. That might be an amendment, but outside of that there is not much.

Mr. CREAGHAN: Certainly we could not increase it.

Dr. OLLIVIER: No. Here it says:

A select committee, like a committee of the whole house, possesses no authority except that which it derives by delegation from the house by which it is appointed. When a select committee is appointed to consider or inquire into a matter, the scope of its deliberations or inquiries is defined by the order by which the committee is appointed (termed the order of reference), and the deliberations or inquiries of the committee must be confined within the limits of the order of reference.

The order of reference is the bill before you, and there is nothing else. The deliberations or inquiries of the committee must be confined within the limits of the reference.

Mr. CREAGHAN: There is no particular order of reference.

Dr. OLLIVIER: The order of reference is the bill itself. You cannot go outside the bill. You do not have the whole Freight Rates Reduction Act to consider. What you have is an amendment to the Freight Rates Reduction Act, and you are limited to that.

In a few days from now the Veterans Affairs Committee will probably have before it an act to amend the War Veterans Allowance Act. The veterans associations probably will ask to appear before that committee to make representations, and probably they will be heard. That would not allow the Committee however to present amendments to the Pensions Act when only War Veterans Allowance Act is referred to it. It is the same thing in this case. You cannot amend other sections of the Freight Rates Reduction Act or change the policy by bringing in the truckers.

Mr. CREAGHAN: If this opinion is correct, and I have every reason to agree with it, the witness should not be on the stand and we should not be sitting.

Dr. OLLIVIER: Of course, the committee is the master of its own deliberations. You can hear anyone you like on any subject, but when you come to make amendments, that is another matter.

Mr. BALDWIN: I take it that unless and until somebody formally moves an amendment, either along the lines that the truckers suggest, or any other amendment, we are perfectly in order to have a discussion on it, but when an amendment is moved then we are beyond our order of reference.

Dr. OLLIVIER: Yes. The committee is the master of its own procedures; but, on the other hand, the committee, although it is the master of its own procedure, cannot move amendments which would be out of order.

Mr. BALDWIN: Do I take it that we would not be in order at this stage to go back and touch upon the validity of any questions surrounding the original act which was passed in 1959?

Dr. OLLIVIER: If you want to do it, you can; but you could not move amendments to change the main act.

Mr. BALDWIN: Does this amendment as we have it in Bill C-93 meet the announced intention of the resolution?

Dr. OLLIVIER: I suppose that would be more a question for the minister to answer. Personally I believe the intention was that it would be retroactive to the thirtieth day of April, 1961.

The CHAIRMAN: Thank you, Dr. Ollivier.

Are there any further questions of the trucking associations?

Mr. McFARLANE: How many trucking firms in your organization are operating on a national basis?

Mr. MAGEE: I can only make an estimate at the moment, but I believe somewhere around fifty.

Mr. McFARLANE: About fifty firms, I take it, operate right across Canada.

Mr. MAGEE: I would say on the east-west run, which we visualize as Montreal to Vancouver, Montreal to Edmonton, or such runs as Montreal to various points in the maritime provinces.

Mr. BOURQUE: I would like to ask if the total tonnage for the trucking industry is 140,405,000 tons? That is the figure which has been submitted today.

Mr. MAGEE: The figure of 140,504,000 tons is the total tonnage moved in 1958 by the inter-city trucking companies of Canada and also by trucking companies in the country areas which might be operating from one town to another. It does not include local cartage trucks which pick up and deliver freight within the city and never go beyond the city boundaries.

Mr. BOURQUE: For instance, we buy, say, 3000 tons of sand. That is hauled by flat-bottom boats, or barges, to a certain point; then the trucks pick up this sand and deliver it within the city. That is very, very heavy tonnage. The water industry is involved—the people handling the water carriers. They say they haul so many tons, and then you say you haul so many tons. It would be double in each case. Then the railways receive a portion of it, because it would be too expensive to bring sand, rock or salt from one point to another.

Mr. MAGEE: Traffic of the type you are describing would be a small amount in the total of 140,405,000 shown here. Perhaps to save time I could have Mr. Montague look it up.

Mr. FISHER: Could you give us any idea whether there is any sort of fear or doubt in the minds of the Canadian Trucking Association officials that the Freight Rates Reduction Act subsidy has gone to the advantage, in any way shape or form, of those trucking companies that are either wholly or partly owned by the major railways.

Mr. MAGEE: Not directly. I do not see how that could happen, because when the Board of Transport Commissioners put in its order reducing the rail rates to get rid of the \$20 million, they found that in the first reduction they made they were not going to get rid of the \$20 million, and the reason for that, of course, was that the reductions were restricted to the non-competitive rates. They then had to put in another additional reduction, in order to spend all of the \$20 million. I think that that fact is evidence that the money has gone entirely into the reduction of non-competitive rates of the railways.

Mr. FISHER: When you have an integrated operation of rail and truck, does there need to be an absolute assurance given to the board of transport commissioners that none of this traffic would move by truck?

Mr. MAGEE: We are getting into something else which raises a rather important point. This is something that the officials of the Board of Transport Commissioners would have to answer. I do know that some traffic moving by truck in the Maritime provinces—and I am referring to trucks owned by the railways—is traffic on which the railways are receiving the benefits of the Maritime Freight Rates Act subsidy. This is according to information which was given by the Canadian Pacific Railway in a letter to the Board of Commissioners of Public Utilities of the province of Nova Scotia, which letter we subsequently filed at the hearings of the Royal Commission in April of 1960.

Mr. FISHER: There is no question at all that any of the money, so far as you know, is having any direct benefit to the trucking lines owned, or partly owned, by the railways?

Mr. MAGEE: Not under the Freight Rates Reduction Act. But the answer would be in the affirmative in respect of the Maritime Freight Rates Act, and I am talking there about the Canadian Pacific Railway and not the Canadian National Railways which submits its claims directly to the Department of Transport under the Maritimes Freight Rates Act.

Mr. FISHER: Do you feel that indirectly this assistance benefits the trucking operations of the railways as against the non-railway owned or controlled trucking companies.

Mr. MAGEE: There is no doubt about the fact that the reduction of railway rates, under a system whereby the reduction is financed from the federal treasury, puts the whole railway system in a stronger position even though the intent may be to assist the shipper. The fact that it also assists the railways is just a natural consequence of that type of legislation and cannot help but be.

Mr. FISHER: This would help to reinforce your views about the railways being in the trucking business.

Mr. MAGEE: Yes. We are strongly opposed to the railways being permitted to buy out truck lines or enter, in a large way or in any way, into the highway transport industry of Canada. We have opposed them in every forum that is available for opposition.

Mr. McFARLANE: There has been quite a bit said from time to time about the companies having agreed charges with the shippers. Have you any idea of the commodities that are covered in these agreed charges?

Mr. MAGEE: The officials of the Board of Transport Commissioners, or the commissioners who are here, could give you much more authoritative answers than I could. I can say, however, that it would cover a tremendous variety of commodities.

The CHAIRMAN: I think that question was asked of the board of transport commissioners on Monday and answered by them.

Mr. HORNER (*Acadia*): When we were speaking about the trucking industry, the number of truck fleets and the tonnage hauled, I wonder if Mr. Magee has any idea, in the amount of tonnage he has listed, whether or not this includes the railway-owned trucks.

Mr. MAGEE: Yes, it would include the railway owned truck lines. I am thinking of when the Canadian National made its first purchase; I believe it was last year, so it would include only the Canadian Pacific truck lines. I was going to say that it probably would include the C.N.R. trucking operations which they have licensed, although not operations that were purchased, but I do not think it would. I think figures would be entirely for trucking companies regardless of their ownership.

Mr. HORNER (*Acadia*): Could you give us some idea as to how much of the trucking industry the railways have got into on a percentage basis? Would it be twenty-five per cent, fifty per cent, or could you give us any idea?

Mr. MAGEE: No. I do not have enough information on which to give you an answer.

Mr. HORNER (*Acadia*): You could not even make a guess?

Mr. MAGEE: I could give you no more than a guess. I would say somewhere between fifteen and twenty per cent; probably around fifteen per cent.

Mr. CREAGHAN: Does that mean that the words "for hire" trucking firms, in your answer today, includes firms owned by the C.P.R. and the C.N.R.?

Mr. MAGEE: Yes. It would include such firms as Smith Transport Limited, Norman's Transfer Limited, Deluxe Transportation, O.K. Valley Freightlines and Island Valley Freight Service. It would include all those companies.

Mr. CREAGHAN: Under the heading gross revenue 1958, would the earnings of the C.N.R. and C.P.R. companies be included in that figure?

Mr. MAGEE: In the gross revenue?

Mr. CREAGHAN: Yes.

Mr. MAGEE: No. Those would only include the C.P.R. trucking companies if the dominion bureau of statistics sends the statistical schedule to them for the Motor Carrier-Freight report. In the answers to Mr. Keays, those answers were taken from the Motor Carrier-Freight report. The other information we have given comes from another D.B.S. report—the information on page 2, from Motor Transport Traffic, National Estimates. I would imagine that the bureau of statistics includes the C.P.R. trucking lines in the mailing list of the statistical schedules.

Mr. CREAGHAN: Do any of the companies now owned by the railways belong to your association and pay dues to it? For instance, Smith Transport. Does it belong to the Canadian Trucking Associations?

Mr. MAGEE: No sir. We are a federation of provincial trucking associations. The Canadian Trucking Associations has two types of membership; one is active membership which includes all of the provincial trucking associations in Canada. We also have what is known as an associate membership which is a form of support which can be given to the Canadian Trucking Associations by either suppliers to the trucking industry, such as truck manufacturers and trailer manufacturers, or trucking companies. In that type of membership we have one trucking company owned by the Canadian National Railways. That company is Midland Superior Express Limited. The president and managing director of that company is a former secretary treasurer of our association. Under our bylaws he may no longer attend any meetings of the association as

a delegate and cannot attend any meetings of the board of directors or any annual or special general meetings. I should say that that restriction applies to all employees of a company owned by a competitive firm of transportation.

Mr. FISHER: The deal is not finalized yet, according to information given in the house. In fact, the deal has not been consummated between the Midland Superior and the C.N.R.

Mr. MAGEE: According to the information given; I am sure it must be correct.

Mr. CREAGHAN: It depends on the date of the answer.

Mr. SMITH (*Lincoln*): Since the Canadian National Railways are apparently in the trucking business in a substantial way either through subsidiary companies or through doing the work themselves, and they do some trucking themselves, is there anybody here who could tell us if the Canadian National Railways have a distinct and separate audit to show the operation of their trucking business as separate from their railway business?

Mr. FISHER: We hope to find that out in about ten days time.

Mr. SMITH (*Lincoln*): I think it is a pretty important question as far as I am concerned, because I am very much concerned that part of the subsidy should go towards Canadian National trucking, and not to the outside private trucker.

Mr. MARTIN (*Essex East*): That is why I asked if part of it only was to go to the railway companies. I think that is an important point.

Mr. MAGEE: I think it goes into one pocket of the railway and out of the other pocket to the shipper in the form of reduced rates. The point about the financial standing of the trucking lines of the Canadian National Railways is one which we regard as very important in the trucking industry. We do feel that when federal funds are being advanced to the Canadian National Railways to buy up our independant trucking companies, that there should be some way, without divulging competitive secrets of the Canadian National Railways trucking empire, to show that the funds are being properly applied in the management of these companies.

The CHAIRMAN: Are there any further questions?

Mr. MAGEE: There is one question which was asked by Mr. Bourque, to which Mr. Montague has an answer ready now.

The CHAIRMAN: Oh yes, it is in reply to Mr. Bourque. Mr. Montague has the information.

Mr. MONTAGUE: It has to do with sand and gravel traffic carried by trucks. Of sand and gravel, the total amount would be about 33 per cent. That is just an estimate I made based on these figures. Trips over 50 miles distant with sand and gravel are not a factor at all.

Mr. BOURQUE: I was thinking of the city of Montreal proper. We are just a small municipality where I live, and we buy 3,000 tons of sand. There are only 31 families on our island, so we would buy only 93,000 tons. But on the other hand the city of Montreal would buy 250,000 tons, which would make a total of 343,000 tons. This tonnage would have to be carried from the pit to a port or a railroad, wherever it goes. Then it would have to be carried from points, such as Halifax to Montreal, and from Montreal it would have to be carried again by another shipper. Now, if it could be carried by just the one company, you would have 1,029,000 tons carried, less the quantity required for that one municipality other than greater Montreal. If that could be handled from the pit and put into piggyback, or the trucking industry, whatever it is, and actually loaded at the pit and brought right down to the warehouse, there would be only one move. It would not have to be loaded on three times, or twice, and the result would be a tremendous saving in the total tonnage carried.

I say that because first of all, the carrying company which handles this 343,000 tons consider it as many hauls; in other words, that 343,000 tons gives a greater tonnage result because it is carried three times. Now, if you multiply such a figure for all municipalities in connection with salt, rock, and all these things, it would make a tremendous tonnage.

Mr. MAGEE: Yes, but I do not think it would apply to gravel. However, a lot of freight handling will be eliminated as times goes on by "containerization"; which is beginning to come in now. It has also been eliminated by the use of piggyback. I do not know whether your point was, in regard to the statistics, as to whether gravel movement is included in that figure of roughly 140 million tons. But if gravel were included in that movement as such, the annual results would not be included in the tonnage figure at all. The figure only relates to a trucking business which is conducting operations comparable to railway operations between cities.

Mr. BOURQUE: In a small country like Canada where we have vast areas, if we are going to load material three times, it just becomes excessive. If it were possible to have one company, this could be eliminated; I mean if one trucking firm by means of piggyback or otherwise could pick it right up and bring it to the warehouse, it would eliminate this excessive handling.

Mr. MAGEE: I do not think they would be able to do it with sand and gravel. But where you have other freight, we would be glad to solve the problem by moving it once by truck.

Mr. BOURQUE: When you think of it as tonnage, it is a considerable amount of tonnage, and if we are going to have to carry so many tons which includes freight and everything else, it has to be helped by somebody in some way.

Mr. MAGEE: It is not necessarily an unprofitable operation for the railways, because with their technological arrangements they can assemble a great many cars behind one locomotive, and they will go through. That stuff can be handled by rail economically, if they can get good loadings.

The CHAIRMAN: Are there any further questions?

Mr. BOURQUE: I wonder if the railways and the hauling people could not get together and arrange it so that they could reduce the tonnage, because this would mean a terrific saving for Canada. If we are going to make this country what we would like to make it, we should be able to do these things as cheaply as possible.

Mr. MAGEE: I think that competition between the railways and the trucking industry also brings about a tremendous reduction in the cost of freight transportation in Canada. There are improvements which the railways have been compelled to make in their method of operation since their monopoly ended and truck competition became a very serious factor for them. I refer to dieselization, new types of yard operation, piggyback, which they themselves introduced for the movement of their trailers in 1953. These are all new methods which the railroads have introduced, and they have cut their costs. These things have been introduced under the impact of competition or under the influence of competition.

The CHAIRMAN: Thank you very much, Mr. Magee. Are there any further questions of the trucking association in regard to this bill? We all appreciate your attending here again today. We know it has been at considerable inconvenience to yourself. I am sure the committee appreciates your coming back with this very fine brief, and for the way you have answered our questions.

Mr. MAGEE: Thank you. The Canadian Trucking Associations appreciates very much the time and the interest of the committee in asking us to express our viewpoint on the bill, and giving us a chance to say something about the bill, even though you cannot agree with all that we have said. Thank you.

The CHAIRMAN: Coming back to the bill again, we are still on clause one. We still have the board of transport commissioners representatives with us, and we have Mr. Knowles, who has been with us on previous occasions, and who is an expert on all types of freight rates and freight problems. He is with us today as well. Are there any questions which you wish to ask him?

Mr. MARTIN (*Essex East*): I have a couple of questions to ask while the minister is still here.

The CHAIRMAN: May I ask the witnesses to come forward? Perhaps Mr. Knowles and Mr. Kerr would be good enough to come up here to the head table.

Mr. MARTIN (*Essex East*): I wonder if the minister could tell me on what date the railways filed a tariff which authorized them either to increase or to reduce the rates by 17 per cent, or to continue rates at the eight per cent increase?

Mr. BALCER: This question was answered the other day. You are asking what date it was?

Mr. MARTIN (*Essex East*): What date was it filed?

The CHAIRMAN: The question was asked by Mr. Chevrier and an answer was given on Monday, Mr. Martin.

Mr. MARTIN (*Essex East*): I am sorry that I was not here.

The CHAIRMAN: You answered that question, did you not, Mr. Kerr?

Mr. R. KERR (*Chief Commissioner of the Board of Transport Commissioners for Canada*): I think so.

Mr. MARTIN (*Essex East*): I think the date was the 28th of April.

Mr. KERR: It was around that time, Friday or Saturday.

Mr. MARTIN (*Essex East*): Does the minister agree or disagree with me, that the action taken by the government was close to the 28th, and that it reflects uncertainty of the position on the part of the government as to what it was going to do, and that they proceeded to do what had been done in similar circumstances in 1960? Is that a correct deduction?

Mr. BALCER: I would answer that it is certainly not.

Mr. MARTIN (*Essex East*): The minister does not agree.

Mr. BALCER: That is right.

Mr. MARTIN (*Essex East*): I suggest that the facts speak for themselves. There was a long interval in 1960 between the action taken by the railways and the action taken by the government. It seems to me that when the railways filed, as they did on the 28th, and the government acted very quickly thereafter, it could mean only one thing: that the minister must have been undecided, as well as his colleagues.

Mr. ROGERS: Your colleague made it.

Mr. HORNER (*Acadia*): He is your expert on transportation.

Mr. MARTIN (*Essex East*): Yes, he knows more about these things than I do, I must confess. There is another thing which I think is really more important, and that is the point I asked Mr. Magee about. Do you agree that you cannot make any rate changes by order?

Mr. BALCER: No.

Mr. MARTIN (*Essex East*): Well, if that is the case, let us suppose that a bill was enacted on June 1st. Then you have the period between April 30th and June 30th. In that period the subsidy would be lost entirely to the railway.

Mr. BALCER: I have already covered this point. But for the benefit of my honourable friend, I shall repeat a few of the things I said at that time.

Section 4 of the Freight Rates Reduction Act provides, in effect, that the Minister of Finance may on the recommendation of the board

pay to a company an amount that in the opinion of the board is equal to the diminution in the gross revenue of the company resulting from an order made by the board under the act.

The present bill gives the board power to extend the period during which the revised rates shall be applicable. If and when this bill becomes law the board will extend the period. It cannot do so until then, and meanwhile the railways are continuing the revised rates as they were on April 30 last. They are doing so voluntarily and not by virtue of an order of the board under the Freight Rates Reduction Act. The situation, therefore, is that the shippers are having the benefit of the reduced rates and as a result the companies are having a diminution in their revenues and the bill provides that this diminution shall be deemed to have resulted from an order made by the board under the act. The effect, therefore, is to give the Minister of Finance power to reimburse the companies for such diminution, as the diminution will be deemed to have resulted from an order of the board under the Freight Rates Reduction Act.

I think that should answer your question.

Mr. MARTIN (*Essex East*): I do not see how the railways can share retroactively unless the power is given to the governor in council in this bill, or to the Minister of Finance. I know the benefits go to the shippers, but certainly I do not see any authority in this bill before us for a \$10,000 payment to the railways, unless there is some clause there which should be put in to authorize the governor in council.

Mr. BALZER: The chairman of the board explained clearly the way it is in a position to make this payment.

Mr. MARTIN (*Essex East*): Is it not a fact that one of the railways has made representations to you, or to your deputy, on this very point, and that their legal opinion was that the position which I have just stated is correct?

Mr. BALZER: No.

Mr. CREAGHAN: Mr. Martin is assuming that the May payment may not be made with dispatch, and that there may be a delay. I have information that none of the March and April payments have been made as yet. They are running several weeks behind, so the railways will not have any interruption. It may be that today they are processing shipments which were made in March, and that the railways will get their money weeks later.

The CHAIRMAN: Are there any further questions? Shall clause one carry? Clause 1 agreed to.

Mr. FISHER: I have a question. I would like to ask Mr. Knowles whether the increase in the agreed charges has taken away the supposed amount of non-competitive traffic which came under this bill in the last two years?

Mr. L. J. KNOWLES (*Commissioner of the Board of Transport Commissioners for Canada*): You mean whether the agreed charge has taken away some of this normal traffic and put it into agreed charges?

Mr. FISHER: Yes.

Mr. KNOWLES: I think you are quite right. That normal traffic has been given agreed charges usually by agreement between the railway and the shipper, maybe to the extent of 17 per cent, or they may have taken ten per cent or five per cent or nothing. They may have put it in at a lower rate than before the 17 per cent increase. But there is no doubt that some of this has been shifted into agreed charges, and some of it has been shifted into competitive rates. I think there has been some falling away in traffic, and that some of it has been taken by the trucks, despite the nine per cent reduction, in this bill, which will be paid by the government.

Mr. FISHER: Have you any idea of the increasing effect that the subsidies have brought about in the total per year? I mean the increasing effects of the subsidy upon the traffic that it does assist?

Mr. KNOWLES: You will remember that I said, Mr. Fisher, at the hearing in connection with the first bill, and I think on the second bill, that our calculations showed that there would be earnings of \$282.1 million in 1959 on normal traffic. That was estimated by the railways themselves in their application for the 17 per cent increase. Now, it stated that the original estimate by the railways, when they started working on the application for the last freight rate increase was that they had \$348.3 million of normal traffic; that is, the C.N.R. and the C.P.R., and adding in a few millions for the Canada Steamship Lines which participated in it—the railways estimated that the increase of 17 per cent would result in about one-fifth of the traffic being driven to other means of transportation. Actually the figure was 19 per cent. And you will find in my evidence that I said that the estimated normal traffic would be \$282.1 million. If the 17 per cent increase were added to that figure, or \$48 million, which is 17 per cent of \$282.1 million, the railways, and the other small lines, and the steamship lines, would have had in 1960 \$330.1 worth of normal traffic. I do not know whether that estimate made by the railways was too high, or not, originally. It was made by taking all the traffic that was not subject to the 17 per cent increase, and then assuming that all the rest was normal traffic. That is the way I have done it for the last 12 years that I was freight traffic manager of the Canadian National Railways, before I came to this board.

Now, as it happens, we have an accurate count of the normal traffic, as the railways, under the procedure that was adopted by the board—and you will remember that I said it would be a very simple procedure—the railways would on their own computing machines simply accumulate the amount of money received on the traffic, including in it the rate reduced by subsidy, and then they would send the bill each month to the Board of Transport Commissioners for approval. That has been done every month, Mr. Fisher. But the work is always two months behind. Mr. Burwash, our chief of the accounting section, carefully checks those bills. We sent our accounting men to the railways to make a complete check of them, and I am prepared to swear that those figures are correct. The total for 1960 which should have been \$330.1 million, was, in fact, \$272.1 million. So that the railways have not only lost the equivalent of the whole increase of \$48 million, but they have also lost \$10 million besides. So they are \$58 million less than was estimated, in 1959, for 1960. Now then, with the subsidy of 9 per cent in effect, the railways did not hold all the normal traffic; I mean the physical tonnage of the traffic. It is obvious, therefore, that without this subsidy the railways would have been in dire straits. They are losing so much of their normal high rated traffic to truckers, and by having to reduce rates and put them into competitive tariffs and agreed charges, that—I am certain that if this subsidy had not been provided, the railways would have lost all their normal traffic, because the high rates are too high. There is no question about that. They have been forced high by increases in wages, and the increase in the other expenses of the railways. These are facts, Mr. Fisher, and I hope that I have made it plain to the committee. It is not the fault of the railways' management that they did not even recover the \$48 million, or 17 per cent increase, of which the government is paying 9 per cent. They not only lost the equivalent of it, but \$10 million besides.

Mr. BROWNE (*Vancouver-Kingsway*): May I ask Mr. Kerr a question which arises from some answers given to Mr. Chevrier the other day? He went into some detail in connection with the waybill analysis carried out by the board. When that waybill analysis takes place, does the board make any

special study of the analysis? Does it break it down any further, and does it make the results available? If the results are not published, what is done with them?

The CHAIRMAN: I think Mr. Burwash was answering that question on waybills.

Mr. KNOWLES: Perhaps I may answer the question. I was on the committee of the railways which assisted the Board of Transport Commissioners' traffic department in instituting that waybill study, as a result of the criticism that was made before the Turgeon commission that the railways did not seem to have sufficient statistics, so that the public could look at them and make up their own minds about what the railways were doing and what they were not doing. Some five or 10 years before 1949, the Interstate Commerce Commission had instituted such a study for United States' traffic. I knew about that, because the Canadian National owned about 2,000 miles of railway in the United States, and I was aware of what they were doing.

I knew the forms that we had to fill out. We had to pick out one per cent of all the carloads that were shipped on the Grand Trunk railroad and the Duluth, Winnipeg and Pacific Railway, and the Central Vermont Railway. Those were sent to Washington. For each carrier, each waybill ending with 01 or number one, was copied by the agent, and sent to Washington. From that they made various studies, and this waybill analysis is almost exactly the same as they carried out in those days. It is the same pattern as the Interstate Commerce Commission method, but with a few improvements we put into it ourselves. For example, we have had to segregate the statutory traffic, which they do not have in the United States.

The first waybill analysis included the statutory grain traffic along with ordinary commodity traffic, but in 1950, with the 10-day strike which disturbed the whole railway traffic, we did not make a waybill analysis. In 1951 we started again.

The samples run from 18,000 to 22,000 carloads each year, and if you examine them you will find they are remarkably consistent. The only difference is that in the subdivision of the traffic among class rates, commodity rates, competitive rates, agreed charges, and statutory rates, you will find that the class rates, which are the normal rates, and some of the normal commodity tariff traffic rates—the percentage of these to the total is continually decreasing throughout the years.

If you look at the Board's annual report for the last year you will find a table showing what is happening in that respect. There is also a similar table in the last decision of the Board on the 17 per cent increase, which is fully available. We have found it extremely useful, and so has the public. I think there would be an outcry if we were to make it known that we would do away with the waybill analysis, even though it costs us \$25,000 per year. I hope that answers your question.

Mr. BROWNE (*Vancouver-Kingsway*): I do not think it does. I realize the value of the waybill analysis, but what I want to know is what information do you extract from the waybill analysis? Do you make a special study of the information obtained from the waybill analysis, and, if so, is it made public and, if it is made public, how is it distributed?

Mr. KNOWLES: Any studies we make of the waybill analysis are for our own information. As a matter of fact, we do not make any further study. There is nothing held from the public. We have never been asked to make a special study of anything in the waybill analysis, and I think Mr. Burwash will confirm that.

Mr. BURWASH: Yes. I just wonder if Mr. Browne is aware that there is a document published of all the waybill analyses.

Mr. KNOWLES: Will you come up here, Mr. Burwash. Mr. Burwash has direct charge of the accounting for the waybills, but the traffic department has the responsibility of seeing the waybill information is correct. They check every rate, every calculation, and every mile, to see there is no mistake in the copies of the waybills we receive.

Mr. BROWNE (*Vancouver-Kingsway*): I realize the waybill analysis is published and all that information is available, but is there any special study made from the waybill analysis?

Mr. BURWASH: We never have published anything except the information in the waybill analysis.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, the studies you make of the results of the waybill analysis are not made available to anyone other than the Board?

Mr. BURWASH: That is true.

Mr. KNOWLES: The waybill analysis is a special study in itself, and there is nothing else. When you have completed it you have got all the information you can extract from it.

Mr. BALDWIN: I should like to ask the minister one question, and this arises in part out of the examination by Mr. Chevrier on Monday in connection with the policy of equalization. You may recall the Chief Commissioner stated on Monday that so far as the policy of equalization is concerned, it had gone about as far as it could go in 1959, with certain limits. The question I should like to ask the minister is this: Was it in part because of the government's recognition of the limits of the equalization policy that the royal commission on transport was set up in 1959 for the purpose of, among other things, attempting to remove or alleviate inequities in the freight rates?

Mr. BALCER: I think, Mr. Baldwin, if you look at the terms of reference of the commission you will see they say in the first paragraph that the commission shall consider and report upon inequities in the freight rates structure. Does that answer your question?

Mr. BALDWIN: Yes, that answers the question.

Clauses 1 and 2 agreed to.

The CHAIRMAN: Shall the preamble carry?

Mr. SMITH (*Lincoln*): Before you carry the bill entirely, I wish to state I was going to support the bill in principle, but I want to be on the record that I am very much concerned about private trucking companies in southern Ontario, more particularly in the Niagara peninsula. If the Canadian National is allowed to go in there and further their cut rates, like they are doing now, we shall have the trucking industry in the red as well as the Canadian National.

Preamble agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I should mention before we adjourn that we have two other bills which have been referred to the committee—Bill C-98, an act to amend the Canada Shipping Act, and another bill. I suggest we meet again on Monday morning at 9.30 o'clock to discuss the first bill. The other bill is Bill S-15, an act respecting the construction of a bridge over the St. Lawrence river near the city of Three Rivers, which we will take at a later date.

HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament

1960-61



STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

MONDAY, MAY 29, 1961

Respecting

Bill C-98, An Act to amend the Canada Shipping Act.

WITNESSES:

Hon. Léon Balcer, Minister of Transport and Messrs J. R. Baldwin, Alan Cumyn, R. R. Macgillivray, Captain Slocombe. Also, Me. Marc Lalonde, Counsel, the Federation of the St. Lawrence River Pilots and Me. Léopold Langlois, representing Canadian Merchant Service Guild.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: Martial Asselin, Esq.

and Messrs.

Allmark	Drysdale	McGee
Badanai	Dumas	McGregor
Baldwin	Fisher	McPhillips
Bell (<i>Saint John-Albert</i>)	Garland	Monteith (<i>Verdun</i>)
Bourbonnais	Granger	Pascoe
Bourget	Grills	Payne
Bourque	Horner (<i>Acadia</i>)	Phillips
Brassard (<i>Chicoutimi</i>)	Johnson	Pigeon
Brassard (<i>Lapointe</i>)	Keays	Pitman
Browne (<i>Vancouver-Kingsway</i>)	Kennedy	Rapp
Bruchesi	LaMarsh (<i>Miss</i>)	Rogers
Cadieu	Lessard	Rynard
Campbell (<i>Stormont</i>)	MacInnis	Smith (<i>Lincoln</i>)
Campeau	MacLean (<i>Winnipeg North Centre</i>)	Smith (<i>Simcoe North</i>)
Chevrier	Martin (<i>Essex East</i>)	Speakman
Chown	Martini	Thompson
Creaghan	McBain	Tucker
Crouse	McDonald	Valade
Denis	McFarlane	Woolliams
		Wratten—60.

Antoine Chassé,
Clerk of the Committee.

ORDER OF REFERENCE

MONDAY, May 22, 1961.

Ordered,—That Bill C-98, An Act to amend the Canada Shipping Act, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, Room 253-D.

MONDAY, May 29, 1961.

(8)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 o'clock a.m. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs. Baldwin, Bell (*Saint John-Albert*), Brassard (*Chicoutimi*), Browne (*Vancouver-Kingsway*), Chevrier, Creaghan, Drysdale, Fisher, Granger, Howe, Kennedy, McFarlane, McPhillips, Pitman, Rapp, Smith (*Lincoln*), Smith (*Simcoe North*), Tucker, Woolliams, and Wratten.—(20).

In attendance: From the Department of Transport: The Minister, the Honourable Leon Balcer; Messrs. J. R. Baldwin, Deputy Minister, Alan Cumyn, Director, Marine Regulations, R. R. Macgillivray, Assistant Counsel; Captain F. S. Slocombe, Chief, Nautical and Pilotage Division, G. Guthrie, Chief Registrar of Shipping, A. G. E. Argue, Telecommunications Branch. *From the Federation of the St. Lawrence River Pilots:* Me. Marc Lalonde, Counsel; Messrs. Paul Bailly, President; Jean-Guy Chartier, Vice-President; Andre Bedard, Secretary; Gaston Rousseau, Corporation of the St. Lawrence River Pilots; Laurent Marchand, President, Corporation of the Mid-St. Lawrence River Pilots, and J. D. Long, President, Corporation of the Montreal Harbour Pilots.

The Chairman opened the meeting by requesting the Clerk of the Committee to read the Order of Reference of May 22nd whereby Bill C-98, An Act to amend the Canada Shipping Act, is referred to the Committee.

The Committee then proceeded to the consideration of the said Bill. Clause 1 thereof was called.

Main outlines of the bill were given by Messrs. Macgillivray, Cumyn and Captain Slocombe, and the officials answered a few questions.

Me. Marc Lalonde, Counsel of the Federation of the St. Lawrence River Pilots was called. He outlined the views of the Federation in respect of the bill with particular regard to section 15 thereof.

At the conclusion of Me. Lalonde's submission the Minister, Hon. Leon Balcer, explained that through a misunderstanding he had come late in the proceedings and with the permission of the Committee he would like to make a statement concerning section 15 of the bill, before the Committee proceed with questioning Mr. Lalonde. This was agreed to.

At 10.55 o'clock a.m. the Committee took recess.

AFTERNOON SITTING

The Committee resumed at 3.00 o'clock p.m. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs. Browne (*Vancouver-Kingsway*), Chevrier, Crouse, Fisher, Granger, Howe, Kennedy, Martin (*Essex East*), McFarlane, McPhillips, Rapp, Smith (*Lincoln*), Smith (*Simcoe North*), Tucker.—(14).

In attendance: All those listed as in attendance at the forenoon sitting with, in addition, Mr. Leopold Langlois, representing Canadian Merchant Service Guild.

Before proceeding further with consideration of Bill C-98, An Act to amend the Canada Shipping Act, Mr. Smith (*Simcoe North*), moved, seconded by Mr. Rapp, and it was so

Resolved: That the Committee print, from day to day, 750 copies in English and 300 copies in French of the Minutes of Proceedings and Evidence relating to Bill C-98 now under consideration by the Committee.

The Minister of Transport, Hon. Leon Balcer, at the invitation of the Chairman, made a detailed statement on Bill C-98 with particular emphasis to the provisions contained in Clause 15 and 16 of the said bill. The minister was questioned thereon.

Messrs. Baldwin, Macgillivray, Cumyn and Slocombe assisted the Minister by answering certain questions of a technical nature.

Following the Minister's statement and questioning thereon, Mr. Marc Lalonde was recalled and after completing and adding to the presentation begun in the forenoon, the witness was questioned on various points raised in his submission relating to Bill C-98. At the conclusion of the testimony the Chairman thanked the witness, who in turn expressed his gratitude to the Committee for their kind attention.

The Chairman then read to the Committee the contents of a telegram he had received from the Canadian Labour Congress. (*See page 173*).

Mr. Leopold Langlois was thereafter invited to address the Committee on behalf of the Canadian Merchant Service Guild, following which the witness was questioned briefly. After being thanked for his attendance Mr. Langlois also expressed his gratitude to the Chairman and members for allowing him to appear and present the views of the Guild on Bill C-98.

At 5.40 o'clock p.m. the Committee adjourned to meet again at 2.30 o'clock p.m. the next day, Tuesday, May 30th, 1961.

Antoine Chassé,
Clerk of the Committee.

EVIDENCE

MONDAY, May 29th, 1961.

The CHAIRMAN: Gentlemen, we have a quorum. Would you please come to order.

I would ask the Clerk of the Committee to read the order of reference in connection with Bill C-98.

The CLERK OF THE COMMITTEE:

MONDAY, May 22nd, 1961.

Ordered: that Bill C-98, an act to amend the Canada Shipping Act be referred to the standing committee on railways, canals and telegraph lines.

LÉON-J. RAYMOND,
Clerk of the House.

The CHAIRMAN: Gentlemen, we have a group of departmental officials with us this morning. I would ask them to come forward and take their place at the head table.

Mr. CHEVRIER: Mr. Chairman, are we going to have the minister present?

The CHAIRMAN: The minister is not going to be here this morning.

Mr. CHEVRIER: There are a number of contentious sections, and I think that he should be here for those.

The CHAIRMAN: The minister has indicated that he intends to be here for some of these contentious sections.

I will call clause 1 of Bill C-98, an act to amend the Canada Shipping Act, and I will ask Mr. Macgillivray to introduce the several officers with him, and to explain this bill to you.

On clause 1—builder's mortgage.

Mr. R. R. MACGILLIVRAY (*Assistant Counsel, Department of Transport*): Mr. Chairman, and members of the committee, in the empty chair on my left was Mr. Cumyn, director of marine regulations of the Department of Transport. Mr. Cumyn received an urgent message and has gone to the telephone; he will be back shortly.

On my right is Captain Slocombe, chief of the nautical and piloting division and, beyond him, Mr. Guthrie, chief registrar of shipping, and Mr. Argue, from the telecommunications branch.

I am Mr. R. R. Macgillivray, the assistant counsel of the department.

Mr. Chairman, this bill has 41 sections. It is a rather long and complicated bill, as members, no doubt, will have noticed. Considerable portions of it represent amendments that were contained in Bill S-3, which passed the Senate in March of 1959, and which was given first and, I think, second reading in the house, but was dropped because there were some contentious matters in it in relation to pilotage on the Great Lakes.

The pilotage provisions were brought up again a year ago, and were passed in somewhat different form. However, the remaining provisions of Bill S-3 were not, and they are incorporated in this bill. As we go through this bill we will mention which of the clauses are of that sort. I think most of the clauses are highly technical and not very contentious.

The bill contains a number of clauses that were in Bill S-3, concerning the registration of ships. Several clauses relate to the recording of vessels, and mortgages thereon—that is, in handling mortgages on ships that have not been built yet.

There is a provision raising the limit on the tonnage of pleasure yachts that must be registered. Until now, pleasure yachts up to 15 tons have been exempted. There is a provision to exempt them up to 20 tons.

There is a provision allowing for new regulations to be made on the subject of crew accommodation on ships. The specific provisions on that are contained in a schedule of the act, and we are making provision for them to be made by regulation in order to make it easier to bring them up to date.

We have two provisions relating to the Republic of Ireland. One permits corporations incorporated in Ireland to be recognized as owners of British ships, and another permits us to recognize officers' certificates issued in Ireland. In passing, I should say that these two amendments in connection with the Republic of Ireland were in Bill S-3, two years ago.

We have a new section on rescue co-ordination, and these provisions give powers to rescue co-ordinators in search and rescue operations. Up until now they have had no powers under the act.

We have a minor provision in connection with radio installations to be carried on ships, requiring radio on ships between Montreal and Anticosti Island. This provision is to cover an inadvertent error in an earlier amendment.

There are two provisions providing that where prosecutions are undertaken by local police forces other than the R.C.M.P.—that is, provincial and municipal police forces—the fine money can be paid to the province or municipality, as the case may be. This is to encourage local police forces to get into the enforcement of the small vessel regulations.

We have a new provision in connection with air pollution by ships which will allow us to have regulations prohibiting pollution of the atmosphere by smoke from ships.

The other provisions in the bill are of a highly technical nature and, as Mr. Cumyn is much more familiar with those than I am, I would ask that he conclude the opening remarks by dealing with them.

Mr. CHEVRIER: Mr. Chairman, could I ask a few questions now?

Mr. Macgillivray, you said that many of the provisions of this bill were contained in Bill S-3, which was introduced in the Senate in 1959 and later withdrawn because of certain contentious clauses. Could you tell the committee what those contentious clauses were?

Mr. MACGILLIVRAY: I was not involved, myself, in Bill S-3, sir, and perhaps I should not have used the word "contentious". I know there were some questions raised.

Mr. CHEVRIER: Could Captain Slocombe tell us?

Captain F. S. SLOCOMBE (*Chief of the Nautical and Pilotage Division, Department of Transport*): Sir, the so-called contentious matters had to do with Great Lakes pilotage. These provisions were brought up again last year and were passed by both houses, as part VI-A of the Canada Shipping Act.

Mr. CHEVRIER: Was that the only part that was considered by the other place as being contentious.

Captain SLOCOMBE: As far as I know, yes. As you may recall, they passed the whole thing, but in view of the pilotage provisions, the whole bill was withdrawn temporarily.

The CHAIRMAN: Are there any further questions?

Mr. CHEVRIER: I understood that Mr. Cumyn was going to carry on.

The CHAIRMAN: Yes.

Mr. ALAN CUMYN (*Director of Marine Regulations*): Mr. Chairman, here we have a new definition for home trade voyages, which is consequential upon the fact that Hawaii and Alaska are now in the American union, and Newfoundland is a province of Canada. Also it provides that ships making voyages through the Bering Strait may continue on and still remain in home trade waters, whereas at present, if they go through the Bering Strait they are in foreign-going waters.

We have a re-definition of inland waters which is aimed at bringing the limitations for inland waters as now contained in the load-line rule into line with that contained in the Shipping Act. At present the load-line rules have the same definition of inland waters as our proposed definition here. The effect of it is to bring the new port of Havre St. Pierre within inland waters.

We also have a new definition of minor waters which we consider to be necessary because at present Great Bear Lake and Great Slave Lakes are minor waters, while Lake Winnipeg is inland waters. These three lakes are comparable with respect to the exposure of the waters and the nature of the voyages; so we had either to bring Lake Winnipeg into line with the other two lakes, or to bring the other two lakes into line with Lake Winnipeg. Therefore they are all now going to be classed as minor waters. This affects, in the main, master certificates and steamship inspection; and we shall, of course, bring our steamship inspection requirements into line, taking into consideration the new definition of Lake Winnipeg.

We also have a clause which provides for measuring of ships to be arranged for in the case of ships of Canadian registry being built outside of Canada. We propose to ask the government of the country in which a ship is being built to have their measuring surveyors act for us in the measurement of these ships for tonnage.

We have quite extensive and new changes in the certification of engineers.

These are contained in clause 9. The paragraphs in clause 9, first of all, take cognizance of the fact that large lake vessels are now being propelled by turbine engines, and make mention of turbine machinery for the first time in that section. Then we also have considered the fact that the largest vessels on home trade, inland and minor waters, both passenger and cargo, are now being propelled by higher powered propulsion machinery. Presently these largest vessels may be operated in charge of a second-class engineer, or rather an engineer holding a certificate of competency of the second class, in so far as engineering is concerned.

But these vessels are now reaching horse-powers in the nature of 3,500 to 4,000, and we feel they should have a higher grade of engineer. So we are providing that the largest ships shall be in charge of an engineer holding a certificate of competency of the first class, and also another engineer holding a certificate of competency of the second class.

The limits we have set out are 300 nominal, steam, and 90 nominal, diesel, and these two limits are roughly representative of 3,500 developed horsepower.

This clause also provides for a special certificate for fishing boat engineers.

We find that engineers of fishing boats, generally speaking, are long on practical experience, but short on theoretical knowledge. So we are providing a special certificate for them.

This clause also provides that certain tug boats shall not be required to have a certificated engineer in charge of the watch. This is because of the modernization of certain tugs, and the fact that the machinery is controlled from the bridge.

A new definition is provided for ferry steamships, taking the word licence out, because we find that many large steamers—for instance, those operating

on the west coast—are licenced by the province of British Columbia, and it is not our intention that such large steamers should be in charge of a master holding only a ferry captain's certificate.

We are removing—or we propose to remove—the requirement that the minister shall issue a temporary certificate, and propose that that power shall be placed in the hands of the steamship inspector, because these certificates are of a very minor nature and are only issued to engineers of very small passenger boats.

There is a new provision on pilotage in the Cornwall district where we are proposing that lake vessels shall be exempt from the payment of compulsory pilotage dues.

Mr. CHEVRIER: May I ask a question at this point, Mr. Chairman?

The CHAIRMAN: Certainly.

Mr. CHEVRIER: Why has it been found necessary to introduce this clause 15 as an amendment to section 346 of the act?

Mr. CUMYN: I would say, sir, it is because it has been intimated to us by the Americans that they would not take too kindly to a situation where Canadian lake ships were exempt from payment of compulsory pilotage dues in this section of the river while American lake vessels would be subject to this payment.

Mr. CHEVRIER: Well, but is that not an infringement of the sovereign rule that exists at the moment, because you are now in Canadian waters, when you deal with the district from Montreal to Cornwall; it is a purely Canadian section of the river.

Mr. SMITH (*Simcoe North*): Mr. Chairman, would it not be better to allow Mr. Cumyn to finish his statement, and to have these interjections when we are dealing with the bill clause by clause? I have let a number of clauses go by on that basis. I think it would be preferable, and more orderly to let Mr. Cumyn finish his statement and then we could deal with it.

The CHAIRMAN: I believe you are right, Mr. Smith.

Mr. CHEVRIER: I have no objection.

Mr. CUMYN: We also have a provision for the appointment of steamship inspectors having qualifications as electrical engineers. We consider this to be necessary because of the increase in the electrical power used on board ships and the fact that many of our modern ships are of the diesel electric type.

We have a provision for the making of regulations by the governor in council to govern the precautions to be taken in the loading of dangerous goods. The present section of the act—section 461—dealing with this, provides for the marking, packing and stowage of dangerous goods. We find, however, that stevedores and possibly ships people are being careless in the loading and unloading operation. We would like to be in a position to provide some regulations governing such precautions as we believe should be taken.

Another provision deals with the inspection of boilers and air tanks on certain vessels. The requirements at present are that all boilers and air tanks shall be subject to inspection. We find there are now being manufactured and placed on board ship many small boilers and air tanks having low pressure. Therefore, we have established a fifteen pound limit under which inspection will not be required.

We have a provision for the compulsory marking of small boats with respect to safe horsepower and gross load limitations. For the last three years we have been carrying out a program of placing these markings on pleasure boats on a voluntary basis. We believe that the effort has proved its worth, but its general acceptance has been hampered by the fact that many small boats are imported from the United States and carry plates with recommended limitation in

respect of horsepower and load, but we think their figures are unrealistic, are too generous, and are much below ours. We feel that the only way to meet with success in this effort is to require all boats in Canada to carry our plates.

I think I have covered the provisions in general.

The CHAIRMAN: Mr. Macgillivray had not quite finished his statement.

Mr. MACGILLIVRAY: In my previous statement I omitted to point out we also have in the act a number of clauses dealing with limitation of liability. The object here is to bring into our law some of the provisions of the international convention on the subject which was signed in Brussels in 1957. The first is to increase the limitation figure of the owner, to place a floor under the limitation at the figure of 300 tons, and to extend the right of limitation to crew members. Of course, I will deal with this in a lot more detail when we come to it.

The CHAIRMAN: Has the committee any questions on the general statements made by the officials of the department?

Mr. CHEVRIER: I have some questions in connection with the sections.

The CHAIRMAN: Are there any questions on the general statement?

Mr. CHEVRIER: I would like to go back to the questions I was raising earlier.

The CHAIRMAN: It might be more suitable for the questions to be asked when we reach the clauses.

Mr. CHEVRIER: Are there any delegations to be heard in connection with any parts of the bill?

The CHAIRMAN: Yes. We have two groups, the St. Lawrence river pilots and also a group from the Canadian marine service guild which would like to appear before this committee.

Mr. CHEVRIER: Would it not be advisable to hear them now?

The CHAIRMAN: That is the reason I asked if there were any questions on the general statement. I had thought we might have any such questions now and then hear the representations from the St. Lawrence river pilots.

Mr. SMITH (*Simcoe North*): Would it not be possible to clear up some of the less controversial sections of this bill now, and this afternoon have the representations from these delegations which deal with specific points. I put this forward as a suggestion.

Mr. CHEVRIER: With all respect, I would suggest it be done the other way. I would suggest that if there are contentious matters we dispose of them first. So far as the technical regulations are concerned, the moment these experts say they are necessary, that is an end of it. However, if there are other contentious matters on which delegations wish to be heard, I think it might be advisable to hear them now.

The CHAIRMAN: That is my feeling also. This morning we have with us Mr. Lalonde from the St. Lawrence river federation of pilots who wishes to make a statement in respect of the bill. I received a wire from Mr. Lalonde asking that he be given the opportunity to appear. What is your pleasure? I am in the hands of the committee. Is it your pleasure to hear Mr. Lalonde?

Agreed.

Mr. MARC LALONDE (*Counsel for the Federation of the St. Lawrence River Pilots*): Mr. Chairman and gentlemen, I am here representing the Federation of St. Lawrence River Pilots which groups four corporations of pilots all the way down the river from Kingston to Les Escoumains. They are: the corporation of the St. Lawrence-Kingston-Ottawa pilots which includes pilots between Montreal and Kingston; the corporation of Montreal harbour pilots; the corporation of the Mid-St. Lawrence pilots, which includes pilots between Montreal and Quebec city; the lower St. Lawrence river pilots which includes the pilots between Quebec and Les Escoumains.

I am here this morning with Mr. Paul Bailly, who is the president of the Federation of St. Lawrence River Pilots; Mr. Jean-Guy Chartier, who is the vice-president of the Federation of St. Lawrence River Pilots and also the president of the Corporation of the St. Lawrence-Kingston-Ottawa Pilots. I am also here with Mr. André Bédard, who is the secretary of the federation and a pilot of the Lower St. Lawrence River Corporation.

Also with me are the other presidents of the various corporations of pilots. There is Mr. Gaston Rousseau for the Lower St. Lawrence River Pilots' Corporation; Mr. Laurent Marchand, for the Mid-St. Lawrence River Pilots Corporation; Mr. J. D. Long, for the Montreal Harbour Pilots and, as I have mentioned, Mr. Chartier, vice-president of the federation.

On behalf of those people I have named and, in my own name, I wish to thank you, Mr. Chairman, and the members of the committee for having granted us the opportunity of appearing before you and making certain representations as to the effect of the bill which is before you.

We do not have representations to make on the whole bill generally, but only on a few specific clauses.

I regret that I did not have time to prepare a formal statement, together with copies which I could hand you immediately and, therefore, save you the trouble of listening to me, but I will do my best to make a statement which will be as orderly and clear as possible.

The clauses which concern pilotage and on which we have some comments to make are clauses 15 and 16 in the present bill.

The main clause which is contentious, from our point of view, is clause 15, a clause to which I think the committee should give very careful attention.

In his statement in the house the other day, the Honourable Mr. Balcer, the minister, said—and I quote:

There is also a clause which provides for adjustment in regard to exemptions from compulsory pilotage dues in one pilotage district only, namely, between Cornwall and Montreal. To place this district on the same basis as other pilotage districts farther down the river, introduction of compulsory pilotage dues has been desirable. However, in order to accord fair and equal treatment to United States vessels in this connection, it is necessary to introduce an amendment to permit exemption of United States vessels, along with the present exemptions accorded to Canadian and British vessels. The highly co-operative attitude of the United States in working out joint pilotage arrangements on the Great Lakes justifies a modification of this sort. This has been discussed fully with and explained to the pilots.

This is reported on page 5185 of *Hansard*, under date of May 22, 1961.

Last fall the pilots on the St. Lawrence river made representations to the government, and the government kindly agreed to establish a system of compulsory payment of pilotage dues for the Cornwall district between Montreal and Cornwall; that was apart from the Kingston district, which is now an international district, with both Canadian and American pilots. That Cornwall district was the only one in which no system of compulsory payment of pilotage dues existed on the St. Lawrence river all the way down from Montreal. Such a system existed elsewhere before, and the government decided it would set up that system so that all the way up the river there would be a uniform system of compulsory payment of pilotage dues, as far as Cornwall, and from Cornwall to Kingston there is compulsory pilotage on a joint international basis. In the course of those negotiations with the government, representations were made to the pilots to the effect that such a system of compulsory payment of pilotage dues would be established provided the Canadian and American

lake vessels would be exempted in that part of the river. That was mentioned in a letter from Mr. Alan Cumyn to Captain Chartier under date of August 31, 1960, which said in part:

I would ask your assurance that, if the department proceeds with a recommendation to the governor in council for the formation of a compulsory payment district in the wholly Canadian waters between Snell Lock and Montreal,

—Snell Lock is in Cornwall—

the pilots will raise no objection to the exemption of the same classes of ships as will be exempted from the Great Lakes pilotage requirements. These would be lake vessels registered in Canada or the United States, i.e., vessels (a) whose operations are on the Great Lakes and the St. Lawrence river, or (b) whose operations are primarily so and that make occasional voyages to ports in the maritime provinces of Canada.

On September 29, 1960, on behalf of the corporation, I replied, and said, in part:

As to the American lake vessels, the corporation fails to see why these ships should be exempted from the compulsory payment of pilotage dues; it appears to be an unjustified granting of a privilege to foreign vessels, operating in strictly Canadian waters.

Negotiations were carried on, and eventually there was an agreement reached between the government, the pilotage authority, which is the minister of transport, and the pilots last October and, on that basis, after that agreement, the minister handed to the press a statement as to his Cornwall district, which read as follows, and I quote:

Canadian and American lake boats from the outset to be exempted from compulsory payment of pilotage dues when no pilot is employed, until outcome of Canada-United States negotiations on Great Lakes pilotage.

Therefore, this agreement which was reached was quite clear. Canada and the United States were in the middle of discussions and negotiations concerning the Great Lakes basin, which is from St. Regis up.

Mr. CHEVRIER: Could you give me the date of that statement by the minister?

Mr. LALONDE: That was on October 14, 1960.

It was stressed to the pilots that Canada and the United States were in the middle of negotiations in connection with the Great Lakes basin, and that it would not be conducive to very good negotiations if Canada were to make a definite statement on this specific problem of pilotage in the Cornwall district at that time. So, the pilots agreed that they would not insist on the use of pilots by American lake boats for the remainder of the season last year, which was approximately $1\frac{1}{2}$ months, and that they would wait until the result of these negotiations was made known. Furthermore, there was, at most, only one American lake ship to go through and, as there was nothing difficult implied, the pilots were willing to go along with it.

Now, the negotiations with the Americans have been concluded. There has been established a joint international district in the Kingston area, and we now are faced with clause 15, which aims at exempting the American lake boats in the Cornwall district.

The Federation of the St. Lawrence River Pilots, and the four corporations which are members of it, take a strong objection to this particular clause, not as far as the Canadian lake boats are concerned—there is another point there—

since they already are exempt under the Canada Shipping Act, and one could say that the word "Canada" in that context, in a way, is useless, because they already are exempt under section 346, paragraph 1 (e) of the Canada Shipping Act. So, the only point in issue here is whether parliament is going to exempt from the compulsory payment of pilotage dues the American ships in that part of the river from Cornwall down to Montreal, which lies strictly in Canadian waters.

Let us take a look at the various arguments which may be used in favour of such a policy. I can see three arguments which could be used to support such an exemption being granted to American ships. However, there may be others, and if there are, I would be glad to hear them.

The first argument is the Great Lakes basin one, if I may say so. Last year you passed Bill C-80, which established a joint system in the Great Lakes basin area. That bill defined the Great Lakes basin and, as set out in section 375 A (b), of the Canada Shipping Act, Great Lakes basin means:

the Canadian waters of the Great Lakes, their connecting and tributary waters, and the St. Lawrence River as far east as St. Regis in the Province of Quebec.

St. Regis and Cornwall have the same limitation on the river. It is the same area. So, the Great Lakes basin is quite clearly defined by this bill, which was passed last year, as ending at St. Regis. This is reported in chapter 40 of last year's statute.

We feel that any use here of the great lakes basin amendments does not apply since, as defined, it ends up at St. Regis. The whole of the negotiations concerning the great lakes basin has been carried on with the United States, and this was a complete question to be solved in itself; and it has been solved as I have said before.

This is the first argument, the great lakes basin argument; and the second argument which can be used is the famous boundary waters treaty of 1910 with the United States; that was a treaty between the United Kingdom and the United States at the time.

Mr. CHEVRIER: It was 1909.

Mr. LALONDE: Yes, excuse me; but it was proclaimed in 1910. The boundary waters were defined in the preliminary article of the treaty in the following way:

For the purposes of this treaty boundary waters are defined as the waters from main shore to main shore of the lakes and rivers and connecting waterways, or the portions thereof, along which the international boundary between the United States and the dominion of Canada passes, including all bays, arms, and inlets thereof, but not including tributary waters which in their natural channels would flow into such lakes, rivers, and waterways, or waters flowing from such lakes, rivers, and waterways, or the waters of rivers flowing across the boundary.

I stress those words once more "or the waters of rivers flowing across the boundary".

By virtue of this treaty there is an agreement specified in article I which reads as follows:

The high contracting parties agree that the navigation of all navigable boundary waters shall forever continue free and open for the purposes of commerce to the inhabitants and to the ships, vessels, and boats of both countries equally, subject, however, to any laws and

regulations of either country, within its own territory, not inconsistent with such privilege of free navigation and applying equally and without discrimination to the inhabitants, ships, vessels, and boats of both countries.

So there is quite clearly an argument in this treaty for equal treatment. There is a no discrimination clause between Canada and the United States. But there again it applies only to boundary waters. We have been in consultation with American firms, and we have had an opportunity to read a substantial amount of literature on this matter. All the experts on this question agree that boundary waters end up at St. Regis on the St. Lawrence river, and do not go further down. So that the Americans could not use the boundary waters treaty of 1909 or 1910, in argument for a clause like clause 15 in the present bill. Or, if they can, it means that they can use it all the way down the river as far as the gulf. So this is the second argument, with reference to the treaty of 1909-1910.

There is a third argument, and it is that during the last decade there has been the construction of the St. Lawrence seaway, and that the Americans have been called upon to share the cost of that construction; and that therefore the American lake ships, or American ships generally should be given the same treatment as Canadian ships on the St. Lawrence on that part of the St. Lawrence river which is strictly the seaway, that is, the St. Lawrence seaway itself, from Montreal up.

In answer to this, I think it should be pointed out that special corporations have been set up to administer the seaway both on the Canadian as well as on the American side, and that pilotage does not come under the jurisdiction of either of those corporations, but that pilotage comes under the jurisdiction of the pilotage authority, which is the Minister of Transport, who is strictly responsible to parliament.

So the seaway construction argument, if I may call it so, again, should not be used. It does not apply, in our opinion, because pilotage is not a matter which comes under the jurisdiction of the corporations which have been set up by both governments to administer the seaway. I think these are the arguments which could be used in support of clause 15. I have tried to mention our objections to these arguments, and against them I would like to stress two fundamental objections from the St. Lawrence river pilots, to such a clause. They are of two orders: the first one is the argument of national sovereignty over strictly Canadian waters; and the second is the security of navigation argument.

Let us take the first one first: the national sovereignty of Canada over its strictly Canadian waters. The minister, in his statement of May 22, last declared,—and I quote from page 5185 of *Hansard* for May 22 as follows:

The highly co-operative attitude of the United States in working out joint pilotage arrangements on the great lakes justifies a modification of this sort.

We feel that the field which had been assigned by parliament for co-operation with the United States by Bill C-80 was the Great Lakes basin, and that all arrangements and agreements, give and take, which could take place have taken place in that area in the Great Lakes basin, that is, St. Regis up, and that they cover the whole of the Great Lakes. This has been defined by parliament as a kind of international area, and that it was an area for international negotiations strictly speaking. We do not doubt that there has been co-operation with the United States on this question, although we might say that in fact Canadian pilots have not been given as much privilege under the circumstances as compared to American pilots; but that is not a question here, I think.

So now, from St. Regis down, we are strictly in Canadian waters. And what this bill is going to do, is this: this bill is going to grant to American lake boats the privilege, in strictly Canadian waters. If I understand well the policy which was announced two weeks ago, I think it will be taken away even from British registry ships on the St. Lawrence river; since it will probably follow—and I do not want to go into prophesy here, and I may be wrong—that, since cabotage will be restricted to Canadian coastal vessels only, British registry ships will probably fall under another regime.

There have been, now and again, representations made to the American government by American interests and by American unions and shipping interests in particular. The most recent ones were made by American trade unions to the American government, to the effect that United States shipping should be given the same privileges as Canadian ships as far down as the gulf. This would mean, in effect, declaring the whole of the St. Lawrence river a kind of completely international waterway with joint authority of the Canadian American governments on the whole of the St. Lawrence river.

We feel that the present clause is a first step in that direction, and that great attention should be given to this problem right now because it is pregnant with very, very serious implications in the long run.

If one wishes to check on the declarations, such as the ones I have mentioned, one could look at the discussions in Washington on bill HR 10593, and the hearing before the Committee on Merchant Marine and Fisheries of the House of Representatives, dated March 9, 10 and 11, 1960.

You will find in that report a declaration like this one, by captain Rolla R. Johnson, of the International Organization of Masters, Mates, and Pilots, who said:

In the Shipping Act of Canada, it clearly states if a pilot is used in Canadian waters he must be a Canadian. H.R. 10593 says the pilotage shall be reciprocal. Will we have the assurance of the Canadian government that they will stop their discrimination against the American pilots and the American shipowners? This should be plainly defined and agreed to, as far east as Fathers' Point or Fathers' Point west.

You may also read a declaration by Captain William E. Golden, representative of the Licensed Tugmen and Pilots Protective Association of America, who said "that any reciprocal pilot bill should start at Fathers' Point area or in lieu of that should start at Montreal". I could give you other quotations like this one from Captain Eugene O. Peo, co-chairman of the Navigation and Legislation Committee of the Grand Lodge, International Shipmasters Association of the Great Lakes.

He said:

To be consistent with that act, great lakes in the instant bill should mean the five lakes, their connecting and tributary waters, and the St. Lawrence river as far east as Montreal rather than as far east as St. Regis.

So you see there are continuous and strong pressures exerted upon the United States government to get the United States shipowners and pilots privileges further down the river in strictly Canadian waters.

What this clause is doing in effect, as I said, is opening the door to American lake vessels in what are strictly Canadian waters. Once this door is open, I fail to see what argument could be used to prevent their getting those privileges all the way down the river.

The second opposition we have to this clause is in respect of the security of navigation argument. At the present time there are only very few United

States lake ships using the river from St. Regis down. At the present time those ships use Canadian pilots when they reach St. Regis. These ships very seldom come on the river at the present time. There is every likelihood it will take several years before they start operating on the river on a very frequent and regular basis. Therefore, for several years to come we have this problem of the United States lake ships getting used to the St. Lawrence river and that part of the seaway which is between St. Regis and Montreal.

A clause like this has the following effect; that is, that it leaves to the master of the ship and the shipowner the final decision as to whether or not they will use a Canadian pilot to take the ship down or up from Montreal. This is, in effect introduction of optional pilotage in an area in which ships have yet hardly started to operate. We feel the traffic on the seaway is very large, has increased tremendously with the opening of the seaway, and every attention should be given to the security of navigation on the seaway itself.

If I may give an example of this, it was recently reported in the newspapers that a barge sank in the Manchester canal in England and blocked the whole canal for three weeks. You can imagine what that means insofar as cost and general economic waste for a country is concerned. Therefore, every care should be given the security problem. You can imagine the result if such an event happened in the St. Lawrence seaway itself as happened in the Manchester canal in the middle of the season.

Mr. CHEVRIER: Have there not been accidents from St. Regis down to Montreal by United pilots operating ships within the last twelve months?

Mr. LALONDE: Last year the pilots made very strong representations against the fact that some United States pilots were illegally taking ships down to Montreal. The government took very strong action after representations were made. It is true that a couple of incidents occurred. In one instance in particular there was a very serious accident in strictly Canadian waters where a ship was piloted illegally by an American pilot. What is feared is that it is obvious the United States trade unions are putting strong pressure on the United States shipowners for permission to board those ships, appear as a member of the crew and pilot as far as Montreal at least.

So this security argument is extremely valid, we feel, in the present instance since those ships cannot even use the argument that they know the river in that area and have immense experience in dealing with it. The least that could be said against this clause is that it is premature. At the present time the United States lake ships use pilots. It will take several years before they are going to get used to it. Even if we were to disregard the national sovereignty argument, there is the security argument which is a very important one and one which should not be left out.

I do not want to take up too much of the time of the committee. These are the main points I wished to stress to this committee in connection with clause 15. I have tried to explain to you what my opinion is and the arguments in favour of it. There may be others. If there are, obviously, I would ask to have the privilege of being called again to comment on them if I may.

We have had very little information as to what is the purpose and what are the true reasons behind this move at the present time. I would like to repeat that insofar as we are concerned the Canadian lake ships already are exempt and that the mention of Canadian in this clause, in our opinion, does not add anything. They already are exempt. Our question is the following: are United States lake vessels going to be granted privileges which we grant Canadian lake ships in strictly Canadian waters? This is the question which is facing us.

One technical objection which should be mentioned is in respect of the wording "while operating in any pilotage district on the river St. Lawrence above the pilotage district of Montreal". If it is to apply only to the Cornwall

district, we would like to have it mentioned that it is "while operating in the Cornwall district" rather than "in any district above the pilotage district of Montreal."

We feel that the whole clause should be dropped, at least for the time being. On a question of principle, we feel that this clause should never be passed, not only for the present time. There is a fundamental technical objection there, and we feel this is a first step from United States interests in Canada to which very strong objection should be raised.

Insofar as clause 16 is concerned, there is not much which can be said about it. It replaces section 356 which said that every person who violates subsection (3) of section 354 is liable to a fine not exceeding \$100 or to imprisonment for a term not exceeding one month. I understand the department wishes to make it more effective by increasing the fine. On the other hand they have dropped the imprisonment penalty. I suspect, however, that the imprisonment penalty was never used in the past, and I doubt that it would be used very much in the future in any event. I do not know why it has been dropped. The fine has been increased and the term of imprisonment has been dropped. We feel that if the idea is to strengthen it, the imprisonment term could have been left in. Even if it is not effective in practice it might have a deterrent effect. You have heard a lot about deterrent effects in the last few weeks on another matter and I will not comment any further on this.

Hon. LEON BALCER (*Minister of Transport*): Mr. Chairman, this morning I have been taken by surprise. I had thought we would be following the numerical order of the clauses. I have a statement to make in respect of section 15. I had intended making this statement when we reached clause 15. Unfortunately I was not aware that Mr. Lalonde was appearing this morning. I would suggest we might adjourn now and when we resume this afternoon I will be in a position to make a short statement so that the committee will be in a position to ask all the questions they wish. I think in this manner the clause would be placed in the right perspective.

The CHAIRMAN: Is that agreeable?

Agreed.

The CHAIRMAN: We will adjourn until 3 o'clock this afternoon.

AFTERNOON SITTING

MONDAY, May 29, 1961

The CHAIRMAN: Gentlemen, I see a quorum. This morning we had departmental officials explaining the purpose of this bill, and we had Mr. Lalonde from the St. Lawrence river pilots, explaining their side of the problem. Now we have the minister with us this afternoon, and I shall ask him to give a statement which he has prepared. But before he does so, I believe Mr. Smith has a motion in regard to printing.

Mr. SMITH (*Simcoe North*): I would like to move, seconded by Mr. Rapp, that 750 copies in English and 250 copies in French of the hearings on this bill be printed.

The CHAIRMAN: All those in favour of the motion will signify carried.
Motion agreed to.

Mr. SMITH (*Simcoe North*): May I amend my motion, Mr. Chairman? At the request of Counsel for the pilots, might we have 300 copies in French printed, and 750 copies in English?

The CHAIRMAN: Is that agreeable to the committee, to increase the number in French? There is considerable interest among the people in Quebec in this particular bill.

Motion agreed to.

Hon. LEON BALCER (*Minister of Transport*): First of all, I would like to apologize to the pilots for not being here this morning to greet them. I have had some very interesting dealings with the pilots since I became Minister of Transport. We always get along very well together. We have interesting problems. And furthermore, their president and quite a number of them come from the most important city in Canada, Three Rivers, which makes them dear to my heart.

I am sorry that I missed the first part of Mr. Lalonde's testimony this morning. Of course it is not my purpose this afternoon to engage in an argument with Mr. Lalonde. I want my statement to be looked upon as a statement of the position of the department, and what we have in mind in moving this clause 15. My understanding was that Mr. Lalonde was going to make a token objection to this proposal. But he is such a forceful lawyer that a token objection from him is quite a clear barrage.

Mr. CHEVRIER: It is a pretty strong case.

Mr. BALCER: Yes. First of all before I explain the reasoning which lies behind this clause, I wish to correct certain misconceptions which may exist.

First of all, this clause has absolutely nothing to do with the operation of United States pilots in purely Canadian waters. United States pilots are not permitted by law to operate in pilotage districts in purely Canadian waters, and this amendment will not extend that privilege to them. The situation will continue to be that where a pilot is employed in this pilotage district between Cornwall and Montreal, it will have to be a Canadian pilot.

A second possible misconception is that this clause in some way grants the United States vessels the overall right to carry domestic traffic in Canada between Canadian points. This right is not involved in any way at all. United States vessels are not entitled to engage in Canadian coasting trade, and this clause has nothing to do with that subject.

Thirdly, I cannot see that this clause in any way affects Canadian sovereignty. It does not affect the right of a ship in this area proceeding without a pilot, since that right has always existed, but it relates only to the argument as to whether a ship proceeding without a pilot should be forced to pay pilotage fees even though a pilot is not used.

This is a right which the Shipping Act at present accords not only to Canadian vessels but also to British vessels; and the suggestion that in this one limited area it should be accorded in addition to one other category of foreign vessels, namely, United States lakers, does not in my mind raise any question of sovereignty, particularly since the right is already accorded to a large class of foreign vessels, namely British vessels.

For the same reason, I would suggest that the matter of the safety of navigation is not directly involved either. I think, as in other pilotage districts, in purely Canadian waters, the Shipping Act does not provide for compulsory pilotage. The ship's master is left with the sole decision as to whether he will or will not take on a pilot. The only legal compulsion that may exist is whether pilotage dues have to be paid or not. Even if this section were not passed, there would still be no requirement for United States vessels proceeding from Cornwall to Montreal—that they would have to take on a pilot. The principle that is involved is whether or not pilotage dues shall be paid to pilots regardless of whether the pilot is used or not. We are proposing a change in this regard which would place United States lakers roughly on the same basis as foreign vessels of British registry, as well as vessels of Canadian registry.

The background is as follows: while the older provisions of the Canada Shipping Act regarding pilotage as distinct from the newer clauses dealing only with pilotage on the Great Lakes did not make pilotage compulsory, they did provide that payment of pilotage dues may be made compulsory regardless of whether a pilot is carried or not. They also set down certain exemptions from such payment of compulsory dues defined in terms of the nationality of the vessel, which means Canadian and British vessels.

This is a somewhat anomalous situation since pilotage actually is related to a safety requirement, rather than the nationality of the foreign vessel concerned, although I suppose the basis of the statute could be explained in terms of historical tradition. However, it has meant that where compulsory dues are introduced, although exemptions apply to British vessels, they do not apply to United States or other foreign vessels.

Above Montreal, compulsory dues did not exist formerly. The introduction of the new joint Canada-United States arrangement for pilotage on the Great Lakes, which, incidentally, is working in excellent fashion, led to the establishment of a boundary point for the Great Lakes area at Cornwall, the midway point of the pilotage service that had previously existed between Kingston and Montreal. It was, therefore, necessary for us to set up, in consequence, a completely new pilotage district between Cornwall and Montreal and, in this connection, assurance was given to the pilots of that district that in recognition of the changes being made, compulsory pilotage dues should be introduced in that district, so that they would be on a basis comparable to other districts lower in the St. Lawrence.

However, this meant that compulsory payments would have to be imposed on United States vessels passing through these waters between Cornwall and Montreal while, in this same area, not only Canadian but British vessels would be exempt from payment of these dues. United States officers of the ships concerned probably would have virtually as great familiarity with the waters as Canadian officers and probably much more familiarity than the officers of British ships.

The United States had been very cooperative in working out the whole Great Lakes joint pilotage scheme. It made substantial adjustments in its approach based upon recognition of the fact that Canada, at the outset, had a large number of pilots working in this area who, if the United States had demanded parity of work immediately, would have been displaced from work, and last year, with no joint Great Lakes arrangement with the United States, and no over-all United States system existing in that area, there were 71 licensed Canadian pilots between Cornwall and Montreal.

A joint arrangement this year with the United States calls for 70 Canadian pilots and 34 United States pilots over the same area. In fact, the United States has accepted a gradual approach to this situation, which has been very helpful to us. It was quite apparent that if they were to be subjected to compulsory dues payment between Cornwall and Montreal in connection with Canadian pilotage service, while equivalent Canadian and British vessels were not so charged, this would prejudice the whole cooperative approach to the Great Lakes scheme. Therefore, in order to provide the compulsory dues district to which the pilots are entitled and, at the same time, accord fair treatment to the United States, it is necessary to amend the bill to provide that in this particular district, only, exemption may be granted to United States vessels, as well as to Canadian and British vessels.

The question was raised this morning as to why we are doing something in this purely Canadian section of the river, when our joint agreement with the United States basically related to the international waters of the Great Lakes and Upper St. Lawrence River.

I have tried to explain that there are two points involved. The first is our belief that in the working out of the Great Lakes arrangement, the United States has taken a relatively generous attitude towards Canadian pilotage, while, on the basis of pure equality, it could have taken an attitude, from the outset, which would have thrown numerous Canadian pilots on the Great Lakes out of work. Secondly, it was quite clear within the context of the Great Lakes arrangement that even though the United States had, for many years, been paying compulsory pilotage dues below Montreal, the introduction of a new requirement of this sort above Montreal would have had a major and detrimental effect upon the Great Lakes arrangement which we think has been working out to the substantial benefit of Canadian pilots.

Also, I would emphasize that this has nothing to do with the income of pilots, for the simple reason that we are proceeding on the basis of what we consider to be a reasonable annual income, and on the understanding that tariff levels will be adjusted on whatever ships are paying pilotage dues to achieve this annual income; or that if this is not feasible, some other measures will be available to assist the pilots. I want to insist upon that, that the present arrangement will not change the income of pilots, and this is the great advantage of this arrangement. We had to discuss this with the United States, and we wanted to do it in a manner that would protect the income of our pilots. We feel that with this new section, the income of the pilots will be very well protected.

At this time I would like to point out another factor which I think is of great importance in the present discussion in clarifying the situation of the relationship between the United States and Canada on this matter of pilotage. It is definitely a matter of give-and-take. It is an agreement between both sides, and we feel that through our representations with the United States they have put us in a position of being able to give very fair treatment to our own people.

I would point out that Lake Michigan is purely a United States body of water which does not fall in the same category as the other lakes of the area, which are divided by the international boundary. The United States has not taken steps to impose any special pilotage handicaps upon Canadian vessels functioning in Lake Michigan and, indeed, has recognized the right of Canadian pilots to operate on the waters of Lake Michigan, even though the suggestion was advanced by some in the United States that this should not be permitted. To my mind, these benefits in a lake as large as Lake Michigan are, from our point of view, far more substantial than the arrangements which we are proposing in relation to the United States vessels in the Cornwall-Montreal area.

The question may be raised as to what would happen if this amendment were not passed. I can say, without hesitation, that the United States would think we had acted in bad faith in this regard. It would be possible for me to remedy the situation by withdrawing the present provision for a district between Cornwall and Montreal, in which the payment of pilotage dues are compulsory, since this would be another means of achieving the same end.

This, however, I think would be less satisfactory from the point of view of our own Canadian pilots.

Alternatively, I think the situation would be that the United States would consider it had every right to reopen discussions with us concerning the present joint pilotage arrangements covering the Great Lakes and lake Michigan in a manner which would result ultimately in an arrangement less satisfactory to Canada. In this connection I must emphasize my strong belief that the present arrangement is highly satisfactory from the Canadian point of view. What I have in mind in this connection is an agreement with the United States that would really safeguard the rights, privileges, and the income of Canadian pilots.

I am sorry that earlier when I quoted the number of pilots in the Cornwall-Montreal district I made a slight error. I quoted the number of pilots from Cornwall to Montreal; the numbers I referred to were from Cornwall to the head of the lakes.

The CHAIRMAN: Thank you, Mr. Balcer.

I have been wondering in what sequence we should start the questions. Would you like to have Mr. Lalonde back for the purpose of asking him questions on his statement, or would you prefer to question the minister now?

Mr. CHEVRIER: If I may, I would like to ask a few questions.

The CHAIRMAN: All right, Mr. Chevrier.

Mr. CHEVRIER: Mr. Minister, I would like to know how this legislation came to be introduced into the Shipping Act. In the first place why was it not introduced last year? How did it come to be introduced in this amendment this year?

Mr. BALCER: This United States-Canada agreement was discussed during the winter time at the pilots conference. At that time the pilots placed their request for compulsory dues in the Cornwall-Montreal district. When the United States-Canada agreement came into force we had to amend the Shipping Act so as to keep our word with the United States authorities.

Mr. CHEVRIER: Is this what you are saying: that the Canada-United States agreement was not signed when the act was introduced last session?

Mr. BALCER: That is correct.

Mr. CHEVRIER: Is there a copy of the Canada-United States agreement? Would it be possible to see it.

Mr. BALCER: It has been tabled in the house.

Mr. CHEVRIER: I think perhaps we might want to refer to it here. How did this particular clause come to be introduced in the Canada-United States agreement? If I am right, I understand that the Pilotage Act, which was introduced last session, also was the result of negotiations between Canada and the United States.

Mr. BALCER: Would it be in order if Mr. Baldwin answers this question. It is a highly technical question.

Mr. CHEVRIER: By all means.

Mr. J. R. BALDWIN (*Deputy Minister of Transport*): All the requirements, or any requirement, to introduce an amendment of the sort in clause 15 is not contained in writing in the Canada-United States agreement regarding joint pilotage. It arose, however, as a result of the consideration of the granting of compulsory dues to the new Cornwall-Montreal district which had to be set up last winter because of the split at Cornwall. It became apparent that if you brought in compulsory dues the United States could not be exempt and the United States had made its position amply clear because they were aware that our pilots were preparing for this. They took the position that they were not prepared to pay compulsory dues and if it were imposed upon them it would affect their attitude towards the Great Lakes areas.

Mr. CHEVRIER: So the action in respect of an amendment to this was an action from the United States side?

Mr. BALCER: I might say that prior to the establishment of this new Cornwall-Montreal district there were no compulsory dues in this area at all. There were compulsory dues only below Montreal. When we formed this new district so as to assure steady income to our pilots, we decided to impose compulsory dues to all foreign vessels. At the same time that the United States-Canada discussions were going on in respect of that district, we were asking

the United States not to require absolute parity in the number of pilots in the first year which would have meant that a number of our pilots would have been out of work. We were also asking for various other considerations for our pilots. It was a give-and-take operation. We thought that after establishing the compulsory dues for all vessels except Canadian and British in order to ensure an income, it was not too much to give this exemption to the Americans.

Mr. CHEVRIER: Is not this clause which exempts compulsory pilotage to the United States and Canadian ships perhaps likely to bring about a curtailment of work on behalf of the pilots in that particular district.

Mr. BALZER: Certainly not much less than before when there were no compulsory dues.

Mr. CHEVRIER: You are exempting this whole district from St. Regis to Montreal from compulsory pilotage.

Mr. BALZER: But there was none before at all. We put it into force for foreign vessels. The Americans wanted to be relieved from that, because they were giving us other advantages for Canadian pilots. We were convinced that this concession to the Americans would not jeopardize the income and rights of our own pilots.

Mr. CHEVRIER: Mr. Chairman, I think we should get some explanation of the manner in which the pilotage operates in the Great Lakes area. The minister said that this is operating very satisfactorily. The information which I have is that this is not the case. If it is not operating satisfactorily, then it might well operate in the same way in the St. Regis-Montreal area. Could someone inform the committee how it does operate.

Mr. BALZER: Could you give us any specific cases?

Mr. CHEVRIER: I have them, but I would rather not give them. I am informed that in the agreement between Canada and the United States, Canada was to receive a certain number of pilots and the United States was to receive a certain number of pilots. I think it was one-third and two-thirds. I have been assured, however, that so many pilots—twelve or more—can get permanent work all the time, whereas the two-thirds Canadian are on a tour de role whereby many of them go to the head of the lakes at Sarnia and with perhaps days before they are assigned to a ship.

Mr. BALDWIN: There must be some misunderstanding because all pilots, including those of the United States, are on a tour de role basis.

Mr. CHEVRIER: What are the figures?

Mr. BALDWIN: Seventy Canadian pilots in the whole Great Lakes area and thirty-four United States pilots this year, with parity to be achieved in approximately five years.

Mr. CHEVRIER: Can the officials of the department tell us how many of the seventy have been employed and how many of the thirty-four have been employed?

Mr. BALDWIN: Yes. The arrangement is that forty-seven Canadians would be used at Welland and nine United States. There may be an adjustment of one due to retirement there. That was the figure at the start of the season. At Sault Ste Marie it is thirteen United States and three Canadians. There had been no Canadians there previously. That is a new section for Canadian pilots. At Kingston there are twenty Canadians and twelve United States. It may be that the problem which concerns you arises in the Kingston area where the twenty Canadian pilots compares with a number of twenty-four last year. In the whole of the Great Lakes the overall balance is roughly the same as last year, but Kingston is down from twenty-four to twenty. The Kingston

pilots decided they would rather keep the work allotment for twenty amongst the twenty-four, but in the agreement with the United States there is only a total of twenty Canadian pilots in this area.

Mr. CHEVRIER: How many have found employment?

Mr. BALDWIN: All of them.

Mr. CHEVRIER: During what period of time?

Mr. BALDWIN: Since the opening of navigation. The work allotted to the Canadian pilots in the Kingston district is the work for twenty pilots, but the pilots themselves have by voluntary agreement divided this work between twenty-four, which has meant that some of them have not had the full volume they might have had if there were only twenty of them.

Mr. CHEVRIER: How many accidents have there been in the Great Lakes area in which United States pilots were operating ships?

Mr. BALDWIN: Within what period?

Mr. CHEVRIER: Since the season opened.

Mr. BALDWIN: Captain Slocombe answers that he thinks there were two.

Mr. SMITH (*Simcoe North*): I would like to ask the minister if up until November, 1960, in the area from Montreal to St. Regis there was no requirement for a shipowner, foreign or otherwise, to pay pilotage or accept a pilot. Is that right?

Mr. BALCER: That is correct.

Mr. SMITH (*Simcoe North*): So the provisions which made pilotage compulsory for United States vessels as well as for foreign vessels were only enacted in November 1960. Is that right?

Mr. BALCER: They were enacted in the winter of 1960-61, yes.

Mr. SMITH (*Simcoe North*): And that amendment we are asked to support now is only to exempt United States vessels from the higher requisite which was passed in November, 1960, to make pilotage compulsory for all foreign vessels?

Mr. BALCER: You mean pilotage dues.

Mr. SMITH (*Simcoe North*): Yes, compulsory pilotage dues, yes.

Mr. BALCER: That is correct. That is the situation; and might I add that if we had not imposed compulsory dues in November, we would not have had to come before parliament today to ask for this amendment.

Mr. SMITH (*Simcoe North*): So in one sense it would appear to me that the pilots, even with this amendment are still further ahead than they were prior to last November.

Mr. CHEVRIER: Do you think that is the reason they are here to protest against it?

Mr. SMITH (*Simcoe North*): I am only making a comment, and in clear logic, yes.

Mr. FISHER: In the trading which I understand took place between the Americans and the Canadians, what concessions were made on either side in so far as the upper lakes were concerned, to fit into this picture?

Mr. BALDWIN: I am not quite sure.

Mr. FISHER: The minister suggested that a *modus vivendi* had to be evolved which took care of American interests, and it is really a fact that there have been deals made in the upper great lakes basin which required this concession to the Americans here. Is that right?

Mr. BALDWIN: I think the answer would be that the two points we would consider most important are the facts that this scheme comes into effect in

1961, with roughly the same number of Canadian pilots employed on the great lakes as were employed last year, and the United States agreeing that they will only move into the position to which they are fully entitled to move in the international sphere in this regard over a period of years instead of right away. In other words, they have protected the position of a number of Canadian pilots from the great lakes, and have taken a gradual approach; and they have also agreed not to interfere in connection with Lake Michigan which is a wholly United States body of water, and where the position remains that there is no special discrimination against Canadian ships in that lake or against Canadian pilots. We consider this to be quite important.

Mr. FISHER: Was there any formal suggestion concerning this of actual ships moving on the great lakes, in so far as what was American, what was Canadian, and what was foreign shipping, that was going to Canadian or to American ports?

Mr. BALDWIN: Pilots are considered as a pool, and the work is split on a certain basis so that the revenue is accorded in the same proportion as the nationality of the pilot.

Mr. FISHER: Is it not true that there are more Canadian ships moving in the great lakes than there are American?

Mr. BALDWIN: No, I think that on actual count you would find that the United States fleet is larger than the Canadian.

Mr. CHEVRIER: The St. Lawrence statistics show it to be 25 to 75 in favour of Canadian ships on the seaway.

Mr. BALDWIN: We are talking about the great lakes, and the foreign ships as well which usually carry pilots in open water.

Mr. FISHER: What is your view on the increase or decrease in safety factors involved in this amendment?

Mr. BALDWIN: There is no decrease in safety factors.

Mr. FISHER: You do not think there is?

Mr. BALDWIN: No, I do not think there is, because of the fact, as the minister mentioned and emphasized a while ago, that in the great lakes you have compulsory pilotage; that is the only place we have compulsory pilotage; and in all other districts the master does not need to take on a pilot unless he so desires.

Mr. FISHER: If experience within this particular stretch within the next year or two should show that there was an increase in the accident rate as a result of this particular exemption, would consideration be given to making it compulsory?

Mr. BALDWIN: This would require legislation.

Mr. FISHER: I know, but is this kind of thing in your mind?

Mr. BALDWIN: In any case, where we have what appears to be an abnormal run of accidents, we always make a special investigation to see if there is some cause other than the normal average that you seem to have taken place anyway.

Mr. FISHER: Did the underwriters let you know their views in so far as this particular legislation is concerned?

Mr. BALDWIN: No, there has been no comment.

Mr. FISHER: Did the dominion marine let you know what their views were?

Mr. BALDWIN: They are not concerned. Their position was to emphasize the United States approach, and to say that they did not want to be put in a position—the dominion marine said that they did not care what you did with anybody else just so long as you did not impose terms on Canadian vessels.

Mr. FISHER: And what about the Canadian shipping federation?

Mr. BALDWIN: They were concerned in that they represent foreign ships, and their vessels which normally use pilots in this section of the river anyway; they usually use pilots.

Mr. FISHER: The granting of certificates which was made possible by a previous change in the act in effect will give them an exemption, will it not?

Mr. BALDWIN: If you are able to qualify for the class B certificate for open waters, you are not restricted to a pilotage district such as between Cornwall and Kingston, for example.

Mr. SMITH (*Lincoln*): Mr. Chairman, I would like to ask the minister, if this suggested change in the regulations comes into effect will it put American ships that are going to use the St. Lawrence seaway on the same basis as American ships which use the Welland Canal?

Mr. BALCER: The Welland is compulsory pilotage, and the other is compulsory pilotage dues. The comparison is not exactly the same. I am told that it will put the United States laker in the same position as the Canadian laker in that area.

Mr. SMITH (*Lincoln*): It will be the same on the Welland as it is on the lower St. Lawrence?

Mr. BALCER: It will be the same comparable position to the ones in there, in each district, but the two districts are different, because Welland is compulsory pilotage while the other one is compulsory dues.

Mr. CHEVRIER: I would like to ask the minister a question.

Mr. SMITH (*Simcoe North*): May I ask one supplementary question: In the areas where there is no compulsory pilotage, and where there is only compulsory pilotage dues paid has the experience of the department been that the ship owners have more or less used pilots than was anticipated, when the seaway was opened? Pilot groups have told me that foreign ships were using far more pilots in areas where it was not necessary than ever had been anticipated. Has the department any information on that point? An example of what I have in mind would be that of keeping a pilot to cross Lake Ontario, and that type of thing, when they do not have to.

Mr. BALDWIN: I think the best answer I could give—and this is not an easy question to answer in a categorical fashion—is that there are still quite a substantial number of foreign vessels which are making use of pilots on open waters and across the great lakes.

Mr. CHEVRIER: The minister said that this matter did not affect national sovereignty.

Mr. BALCER: Yes.

Mr. CHEVRIER: On the other hand, Mr. Lalonde made a very strong case in favour of the argument—or at least he argued that this was an infringement of national sovereignty in that there was no legislation of any sort giving United States pilots the right from St. Regis down river. This would give them an exemption. A question I would like to ask is this: you have compared this with Lake Michigan. Yet no comparable legislation has been enacted by the United States Congress. Why do you feel it necessary to enact this kind of legislation in purely Canadian waters?

Mr. BALCER: Well, in the United States, as I said earlier, there were some representations made to Washington that Lake Michigan should be restricted. But the American government has resisted those representations in favour of Canadians, and we are doing this program here.

Mr. CHEVRIER: But you are not—you are enacting legislation here affecting an area which is purely in Canadian waters; Montreal to St. Regis is in an

area which is purely Canadian, looking westbound, while for Lake Michigan there has been no legislation enacted by the American Congress dealing with it.

Mr. BALCER: It is because last fall we imposed compulsory dues into Montreal, and the Montreal district. That is what we have done to bring in foreign vessels to pay compulsory dues; and this thing, as I said earlier, was considered to be rather drastic. The United States asked to be relieved of it, and pointed out to us the situation in Lake Michigan where they gave us the same treatment.

Mr. CHEVRIER: I would like to ask some further questions of Mr. Macgillivray. Is it considered that this is a proper way to proceed, when a treaty gives certain positive rights, and these treaties, which have been mentioned by Mr. Lalonde this morning—all of them from the treaty establishing the boundary line down to the treaty of 1909, the Boundary Water Act—all of them give United States citizens certain rights on the St. Lawrence. Is it a proper method in your opinion as a lawyer by which to proceed to do something which has been done by a treaty before?

Mr. MACGILLIVRAY: I do not believe there is anything which prevents it in the boundary waters treaty.

Mr. CHEVRIER: No, I am not suggesting that there is; but what I suggest is, that if there has to be an amendment to the boundary waters treaty, or to any international treaty, do you think it should be done by inserting an amendment such as this in the middle of an act of that size, rather than doing it by international agreement?

Mr. MACGILLIVRAY: I think with any international agreement to give effect to its provisions we have to do it by some statute; and to give effect to an agreement on pilotage, I think it could best be done in part VI or VI-A as the case may be of the Canada Shipping Act. As I said, I do not think this actually arises out of a treaty.

Mr. CHEVRIER: It arises out of an agreement.

Mr. MACGILLIVRAY: I do not think it was specifically covered in the agreement.

Mr. BALCER: May I correct an answer I gave earlier. I am informed that the United States has imposed compulsory pilotage in Lake Michigan for all ships, and that they have exempted Canadian ships, as well as United States ships.

Mr. CHEVRIER: Could I ask the minister another question arising out of the second argument which was made by Mr. Lalonde, in that this amendment will affect the security of navigation because of the fact that today few United States lake ships use the river from St. Regis, down—and these ships use Canadian pilots when they come down—and it will take the United States pilots quite a number of years before they get used to the tricky waters.

Mr. BALCER: The United States pilots cannot operate between Cornwall and Montreal; they are not allowed to. If a captain of a ship decides he is going to use a pilot, he has to be a Canadian pilot; he never will be an American pilot.

Mr. CHEVRIER: Well, I would like to call Mr. Lalonde back, then, because that is not the argument I understood him to make.

Mr. BALCER: He agrees.

Mr. SMITH (*Simcoe North*): I think Mr. Chevrier has misunderstood Mr. Lalonde's remarks in that connection.

Mr. CHEVRIER: Well, we will call him back.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I have a couple of questions dealing with what Mr. Chevrier has said in connection with sovereignty. Am I

correct in saying that St. Regis is in purely Canadian waters and that the section of the seaway from St. Regis to Kingston at the present time proceeds to the south side of Wolfe Island?

Mr. BALCER: Yes.

Mr. SMITH (*Simcoe North*): And, as a result of proceeding to the south side of it, it goes through a section of purely American waters. If it had gone from St. Regis to Kingston on the north side of Wolfe Island, would not the American waters have been less in mileage than they are in the present course?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: I do not know what you are driving at in saying that.

Mr. SMITH (*Simcoe North*): You know perfectly well.

Mr. CHEVRIER: I have not the slightest idea.

The CHAIRMAN: Is it the wish of the committee to have Mr. Lalonde back?

Some hon. MEMBERS: Agreed.

Mr. FISHER: Mr. Chairman, I have one question. Although there has been a suggestion that this is a bit of a trade for the Michigan deal, you would not suggest, would you, that the actual pilotage within the two lakes between Michigan and this particular section of the river is comparable?

Mr. BALDWIN: On the open waters, no, but in certain portions of Lake Michigan there is a certain high traffic density.

Mr. FISHER: But in terms of pilotage, am I not correct in saying that a river is a much more difficult place to navigate?

Mr. BALDWIN: Yes.

Mr. FISHER: So, this would tend to support the safety factor angle which has been raised by the pilots.

Mr. BALDWIN: If you had compulsory pilotage, yes, but, as long as the master is free, as he is now, to decide whether or not he wants a pilot, it is a different question.

Mr. FISHER: What do you think is going to be the reaction of captains to this choice, in this particular stretch?

Mr. BALDWIN: I think they will use the decision they think is in the best interest of the safety of their vessels. They know their own competence, and they know whether or not they are competent to take a ship through, and this is why, as I said, the majority, or all of the foreign vessels coming in, take pilots, even though there is no legal requirement for their doing so.

Mr. FISHER: This may be an over-riding factor with American and Canadian ships, as well.

Mr. BALDWIN: Yes.

Mr. FISHER: So, in this sense, the fears of the pilots, perhaps, would be groundless?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: Someone has indicated—and it was either Mr. Baldwin or the minister—that there is provision for compulsory pilotage. Then, it was stated, also, that a United States ship coming along the section from St. Regis to Montreal must use a Canadian pilot.

Mr. BALDWIN: If he uses one at all.

Mr. CHEVRIER: Well, is it compulsory upon the United States ship to use a Canadian pilot?

Mr. BALDWIN: It is not compulsory on any ship to use a pilot under part VI of the Canada Shipping Act.

Mr. CHEVRIER: It is, in certain sections, is it not?

Mr. BALDWIN: No, there is no compulsory requirement for pilotage, except in the new section relating to the Great Lakes.

Mr. CHEVRIER: Can you indicate the number of accidents, if any, in that stretch from St. Regis to Montreal which occurred, say, during the navigation season of 1960, with United States ships?

Mr. BALDWIN: I could not do that without looking up the statistics. I would have to check the record.

Mr. CHEVRIER: Well, would you get that for me? I know there was one stuck in the area not far below Cornwall for some weeks before it was pulled out.

Mr. SMITH (*Simcoe North*): Was that a British or American ship?

Mr. BALCER: An American ship, using a United States pilot.

Mr. BALDWIN: This was an illegal operation in the sense that we discovered he had on board a United States pilot who had no right to operate there.

Mr. CHEVRIER: Have you any other instances of that, not only in that section, but in the three other pilotage areas, namely, in the section, Kingston to Welland, Welland and Lake St. Claire, and finally,—

Mr. BALDWIN: The United States pilots are entitled to operate there, as indicated by the figures I gave. It is only when you get below St. Regis—Cornwall, that no United States pilot may function.

Mr. CHEVRIER: Because it is in Canadian waters?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: Are there any other than that one accident of which the department is aware?

Mr. BALDWIN: There were several accidents in the area of that river last year, but as I recollect it, this is the only one that I can recall where there was a United States pilot operating illegally.

Mr. McPHILLIPS: I would like to clear up one point: I think the term "United States ship" has been used somewhat loosely. As I understand it, a United States deep sea ship out of the port of Boston, with a cargo for Milwaukee, which goes up through here, has to pay compulsory pilotage.

Mr. BALDWIN: Yes.

Mr. McPHILLIPS: So, we are dealing only with those ships which are domestic to the area?

Mr. BALDWIN: Yes, lake ships.

The CHAIRMAN: I would ask Mr. Lalonde to come forward. If there are any further questions that you have in regard to the statement he made this morning, you may ask them now. For the benefit of those who were not here this morning, Mr. Lalonde represents the St. Lawrence river pilots association.

Mr. LALONDE: With your permission, Mr. Chairman, if I perhaps might make a few corrections, and add a few words to my statement this morning, it probably would save a further number of questions being asked at this time.

I think there was a problem which arose in connection with the fact that United States pilots would pilot down from St. Regis. If I happened to say that, this is not what I meant, and I do not think I said it. What I certainly meant is that the American lakers will do their own piloting in strictly Canadian waters where they do not have the necessary experience. Arguments have been raised to the effect that it concerns only compulsory payment of pilotage fees, and not compulsory pilotage. Nowhere in Canada, except in the last few months in Kingston, has there been compulsory pilotage. The argument

which is used here, in the Cornwall case, would apply the same way in Vancouver, or all the way down the river. Nobody is obliged to take a pilot on the river. However, it has been found that if they have to foot the bill, they would rather pay for one, and it is just as effective, in the end, as compulsory pilotage. The argument has been made to the effect that by exempting them, there is no decrease in the safety factor. I would like to dissent from such a statement, because you can well imagine, if we were to do away completely with compulsory payment of pilotage dues on the whole of the St. Lawrence, what would happen. As a matter of fact, a goodly number of ships would take a chance. They would say that they know the river, and the first thing you would know, you would have a great series of mishaps.

Mr. BALCER: Is it not a fact that a captain of a ship, even if his ship is paying compulsory dues, can go up the St. Lawrence River?

Mr. LALONDE: Yes.

Mr. BALCER: As I said earlier, I would like to correct that impression. There is no doubt about it but that it is much safer for any ship to have a pilot on board, and Canadian pilots are extremely well experienced in these waters. I know, myself, if I were the captain of a ship, I certainly would use a pilot at any time. What I did want to say was that the amendment we are bringing forward is not compulsory pilotage, but compulsory pilotage dues, and if the captain of a ship who has been plying these waters for twenty years is reckless enough, even after paying dues, to go down the river without a pilot, well, he can do so; there is nothing, legally, to stop him.

Mr. LALONDE: This is quite correct. There is no doubt about that, except that experience has proven that when you have compulsory payment of pilotage dues, there is an inducement to use a pilot, whereas if they are exempt, some of the smaller ships, or those companies which are in a shaky financial position would say to themselves: "Let us save this \$145, and see what happens." This places those particular ships in great danger, in so far as security is concerned, as well as those ships they are meeting.

Mr. Baldwin also mentioned that the pilots in the Kingston area have requested, of their own volition, 20 jobs for 24. I must say that the pilots have accepted that, but to say it is of their own volition is, I would think, an overstatement. They were told that four of them would have to be fired, or they would have to join the civil service, or 24 would have to share the earnings of 20. So, in the sense of their own volition, they chose the least of the three evils. However, I would not want to go on record as saying that it was agreed by the pilots in any way, and that this is what they have happily jumped upon and agreed to. This is an unfortunate situation, and we hope it will be remedied in the near future. Anyway, I do not want to raise an argument at this time about the situation, as I do not think it should be gone into at this time. It is not a matter which is relevant to the bill which is now being discussed.

Mr. Chairman, these are a few of the remarks which I wanted to make. I want to repeat that compulsory payment of pilotage dues is a rule all across Canada. It is not specific to the Cornwall district, and this is a practice which has been established for making what, in effect, is compulsory pilotage, when you look at the end result.

The question of Lake Michigan was mentioned, and that it is strictly an American body of water, and one which does not fall in the same category as the other lakes in the area, which are divided by the international boundary. I think it would be worthwhile mentioning here that the Port Weller to Port Colborne area, and Georgian Bay, are strictly Canadian waters, and we have agreed that the Americans have as much right as the Canadians to operate there, as this is part of the Great Lakes pilotage basin. So, if we have

certain areas which are strictly American waters, they are in the Great Lakes basin, and, in the Great Lakes basin there are strictly Canadian waters where American ships can go. My point is that by this amendment we come out of the Great Lakes pilotage basin, and there is very grave danger if this door is opened as far as Montreal. I want to stress that. This is not a question of money as far as the pilots are concerned, now, because of the few American lakers which effectively use Canadian pilots. It will not affect the earnings of any pilot in the area. There is no question of money in this. The minister has given us a statement to the effect that he would find means to adjust the earnings. The discussion does not bear on this at all. It is a matter of the long-run policy. The full traffic of the American lakers will not be between Montreal and Chicago. It will be in the Baie Comeau area where they will carry ore down to Cleveland and such places. The next step is that the Americans will insist upon getting the same privileges as far down as that on the north shore.

Mr. SMITH (*Simcoe North*): You are making quite an assumption, are you not?

Mr. LALONDE: What arguments can you use against that? If you are in Canadian waters you can claim that privilege.

Mr. SMITH (*Simcoe North*): I am suggesting you are making an argument without having any actual facts on which to base it at this time. I am not saying it might not be, but it is pure argument at this point.

Mr. LALONDE: Yes; but in ten years time it will be too late, because it will have been going on.

Mr. SMITH (*Simcoe North*): Shall we start the questioning of Mr. Lalonde now?

The CHAIRMAN: Yes.

Mr. LALONDE: The only thing I would like to say on this is that once you open that door, then your argument in refusing them is much weaker.

Mr. CHEVRIER: I think Mr. Lalonde should be allowed to complete his statement if he has one to make.

Mr. LALONDE: The only other point which I might mention, in answer to Mr. Chevrier's question is that what will happen is that on the United States lakers they will have a member of their own crew who will effectively pilot the ship down. They will have to put a man on. There is no doubt there will be strong pressure from the United States trade unions in particular to have this before very long. I suspect this; I cannot prove it. This morning I read some statement from certain United States trade unions to the effect that they would try to go down to the gulf.

Mr. BALCER: What is the advantage of a United States shipping company paying an extra man aboard a ship? It will cost them just as much as it would to take on a pilot.

Mr. LALONDE: I would think it would cost them more, except that this is bargaining and the bargaining is done in Chicago and New York, not in Montreal or Ottawa, and the owners or trade unions may have to give way as the Canadian government has in this case.

Mr. SMITH (*Simcoe North*): You represent four organizations of pilots here today?

Mr. LALONDE: Yes, plus the federation.

Mr. SMITH (*Simcoe North*): Of those four, only the one in the Montreal-Kingston area is directly affected by this.

Mr. LALONDE: Yes.

Mr. SMITH (*Simcoe North*): And those pilots are divided into two groups, are they not—Montreal-St. Regis and St. Regis-Kingston?

Mr. LALONDE: Yes.

Mr. SMITH (*Simcoe North*): How many pilots are there in the group from Montreal to St. Regis?

Mr. LALONDE: Thirty-two.

Mr. SMITH (*Simcoe North*): And how many are there in the group, St. Regis to Kingston?

Mr. LALONDE: Twenty-four-twenty, if you understand what I mean.

Mr. SMITH (*Simcoe North*): What were the pilotage fees paid in these two areas last year?

Mr. LALONDE: What do you mean by that? Do you mean per trip?

Mr. SMITH (*Simcoe North*): The gross.

Mr. LALONDE: I do not have the figure here.

Mr. CHEVRIER: The departmental officials would have that.

Mr. SMITH (*Simcoe North*): I will ask this question later.

Mr. LALONDE: There is no question of earnings involved in this. We had a very firm statement from the minister that if it did affect earnings he would adjust it by increasing the tariff on the other ships or the number of pilots would be reduced over the years, bringing the same result.

Mr. SMITH (*Simcoe North*): This morning you referred to the Great Lakes basin being cut off at St. Regis. Again you referred to it as the Great Lakes basin pilotage area. I think perhaps that was a slip of the tongue.

Mr. LALONDE: Here again you could ask the departmental officials. I have a copy of the 1960 statutes here.

Mr. CHEVRIER: It is chapter 40 in the 1960 statutes.

Mr. LALONDE: It is 375A.(b):

“Great Lakes basin” means the Canadian waters of the Great Lakes, their connecting and tributary waters, and the St. Lawrence river as far east as St. Regis in the province of Quebec.

Mr. SMITH (*Simcoe North*): Montreal is more the eastern terminus of the St. Lawrence seaway system than is Cornwall from a practical point of view, is it not?

Mr. LALONDE: Yes; I would think so.

Mr. SMITH (*Simcoe North*): More ships are destined for the terminal at Montreal than at Cornwall?

Mr. LALONDE: I think the Cornwall people would agree with that.

Mr. SMITH (*Simcoe North*): And you agree too?

Mr. LALONDE: Yes.

Mr. SMITH (*Simcoe North*): And it is more, as it were, the eastern terminus of the St. Lawrence seaway?

Mr. LALONDE: Yes; I would say so, although it depends on the situation. Insofar as the United States lake ships are concerned it would be rather further down the river. The United States lakers will mainly be used to carry iron ore from the north shore to the province of Quebec and also to put grain in the new elevators at Baie Comeau. There is discussion to the effect that they will have a year-round port there where they will handle the grain. So, insofar as the American lakers are concerned, I think one could say with fair assurance that the effective terminal will be rather further down the river than Montreal.

Mr. SMITH (*Simcoe North*): But it is not likely to be Cornwall for some little time?

Mr. LALONDE: I would not expect so.

Mr. CROUSE: Am I right in assuming your main concern is in establishing a precedent which may be detrimental to the Canadian pilots?

Mr. LALONDE: There is that factor. The first factor is that of national sovereignty in strictly Canadian waters. There you have a question of principle. If you open the St. Lawrence river in that area, which is strictly Canadian water, you would be doing something which has never been done in the past. This is the establishment of a precedent. Insofar as the Cornwall pilots themselves are concerned, there is no money problem involved there. It really does not affect them this year more than last year, or next year more than this year; but it is a serious matter for the whole of the St. Lawrence river and also there is this matter of principle. Why should we give United States lake ships privileges in strictly Canadian waters while at the same time we are trying to do away with United Kingdom coastal vessels. The point is that you have United States ships which are going to be granted the same privileges as Canadian ships in strictly Canadian waters. This is the first point.

The other point is the problem of security.

Mr. BALCER: Is it not a fact that up until November of 1960 the Americans had that privilege?

Mr. LALONDE: All ships; not only the Americans, but the Chinese and the Japanese.

Mr. BALCER: Our government, instead of undermining that principle, has strengthened it by making it compulsory for any ship to pay dues. It is the Americans whom we are asking to revert to what it was before. I quite agree it would be a very wrong principle if we were extending that; but our government instead of undermining the position of the pilots below Montreal actually by the action taken in November strengthened your hand.

Mr. CHEVRIER: We are going to get into an argument here. I was declared out of order when I discussed that matter in the house the other day. I am all set to discuss it here, but the bill is not up for consideration at all.

If I may, I would like to ask Mr. Lalonde a few questions. I think there is a difference of opinion between you and the minister as to this question of sovereignty. I am not clear in my own mind what the difference is. This morning you stated that having regard to the international treaty between Canada and the United States that this is an infringement of our national sovereignty. The minister says it is not. Would you clarify your position?

Mr. LALONDE: What I said this morning is, there is no treaty in existence which would force the Canadian government to grant United States ships such an exemption below St. Regis. I think all the treaties which are in existence cover the waters of the Great Lakes basin, but do not apply to strictly Canadian waters. There is nothing which would prevent the Canadian government, or parliament, to grant exemptions to other countries on the St. Lawrence river, or Vancouver, or Halifax, in the sense that this is not an infringement of a treaty. It is just a matter where parliament decides it will grant some privileges to foreign countries. It does not go against treaties which are in existence at the present time. I think the minister said there is no question of sovereignty involved here, because there has never been any question of compulsory pilotage—it is a question of compulsory payment of pilotage dues. If the argument is effectively based on that, then it is the whole scheme of pilotage which is involved in this all across Canada, because all across Canada apart from the Kingston area you have compulsory payment of pilotage dues. Compulsory payment of pilotage dues in Canada and in most other countries in

the world is equivalent to compulsory pilotage. When I say this is an infringement of national sovereignty, I mean it grants a privilege to a neighbouring country to which that neighbouring country cannot pretend to have any actual right.

Mr. CHEVRIER: Under international treaty.

Mr. LALONDE: Under international treaty. Nothing can prevent parliament giving that right if it wants to. I quite agree. But why should we give it to the Americans, to the United States, on that part of the river while negotiations have been bearing on the great lakes basin which does not cover it?

Mr. CHEVRIER: Mr. Chairman, I would like to put on the record just a short paragraph which is taken from the proceedings of a special committee of the senate to inquire into the development and improvement of the St. Lawrence river, bearing on international treaties. I want to put on record the statement of Dr. Skelton who was deputy minister of external affairs and who gave evidence on the whole international aspect of the river. I would like to put on record this paragraph which can be found at page 80 of this report dated 1928. It reads as follows:

I am now going on, therefore, to the treaty of 1909, which was ratified in the following year between His Majesty and the United States, commonly called the boundary waters treaty. I will read first the preliminary article in that treaty:

For the purposes of this treaty boundary waters are defined as the water from main shore to main shore of the lakes and rivers and connecting waterways, or the portions thereof, along which the international boundary between the United States and the dominion of Canada passes, including all bays, arms, and inlets thereof, but not including tributary waters which in their natural channels would flow into such lakes, rivers, and waterways, or waters flowing from such lakes, rivers, and waterways, or the waters of rivers flowing across the boundary.

The Hon. Mr. LYNCH STAUNTON: What is the meaning of the words "flowing across the boundary"?

Dr. SKELTON: . . . there may be boundary waters to which article I specifically applies. Boundary waters roughly include part of the St. John river, the St. Croix river, the St. Lawrence river from Cornwall to Lake Ontario, Lake Ontario, the Niagara river, Lake Erie, and so on up to Lake Superior.

The Hon. Mr. REID: But would not include from Cornwall to the Soo.

Dr. SKELTON: It would not, Senator.

I think that paragraph clearly establishes the point which has been made by Mr. Lalonde, that from Cornwall, or from St. Regis upstream, it is international in character, and that by a special agreement between the two countries from that point the international boundary line below is not subject to any agreement. And while it is true that the minister said it was not covered in the agreement, there certainly has been some discussion concerning this, which is a purely Canadian matter. Might I ask again the question which I asked earlier but did not pursue enough to get a reply? Where is the request for this amendment in the Shipping Act? Who in the United States is asking for it, or is there only correspondence which can be read as an appendix to the agreement that was referred to earlier?

Mr. BALDWIN: The best way I think I can attempt to answer the question, sir, is by a quick chronological statement of events as of last autumn. The discussion with the United States regarding the joint arrangement on the

great lakes, in implementation of the legislation passed by both federal governments went on, roughly, from the summer through until early this spring or late this winter before everything was concluded. These discussions were carried on between officials of the two governments, but certain matters were discussed separately by departmental pilotage officials and the minister, with representatives of the Kingston to Montreal pilotage district.

In the course of these discussions my recollection is that we made it known—in fact we had made it known earlier to them—that there would have to be a division of the district at St. Regis. And in this discussion also it was stated to this group for the first time, that there would be compulsory payment of dues as a privilege which they would have, and which they had not enjoyed previously. This came up as an important issue. It was quite clear, however, that if compulsory dues should be introduced, even within this new Cornwall to Montreal section, it was principally set up for United States vessels, and that they could not be exempted, and this would mean making an exemption for United States vessels which had not previously applied. The pilots had made their position known on various occasions in regard to this Cornwall to Kingston to Montreal section. The United States was aware of the fact that this request existed. So under the circumstances we felt it was only fair to make sure that this aspect was also covered in the context, according to the discussions going on with the United States. And it was within the context of this discussion, sir, that we received the impression, and it was made amply clear to us, that whatever action we might take in a wholly Canadian district, to set up your compulsory dues, they were not concerned with it. But when exemption came into it, it would apply, and when compulsory dues were introduced, there was no exemption for United States vessels, and that we would conclude the type of arrangement that we discussed for the great lakes. And they made their position quite clear in this regard.

So if we wished to do what we are trying to develop now, we had the choice of saying to the pilots: we are sorry that we cannot give you a compulsory district, because this would upset the whole great lakes arrangement. Or we can give you a compulsory district which we think is in your own interests, but we would have to include one aspect which we consider to be in the interest of Canadians on the great lakes; we will have to seek an amendment to try to exempt all the lakera from compulsory dues.

Mr. CHEVRIER: So it was because of this assurance which had been made under the former agreement that a group representing Canada decided in favour of this arrangement?

Mr. BALDWIN: That is right.

Mr. CHEVRIER: Might I go a step further and ask if, before this section was put in the Canada Shipping Act, you gave any consideration to submitting it to the Department of External Affairs?

Mr. BALDWIN: You mean section 15?

Mr. CHEVRIER: Yes.

Mr. BALDWIN: Well—

Mr. BALCER: Actually, this is a cabinet procedure. I mean, of course, that any legislation that is brought before the house is handled by the cabinet, and by whatever department or minister it may be, and that they may be called to express an opinion on it.

Mr. CHEVRIER: I am not seeking any information to which I am not entitled, but I think it is a fair question, since this is a matter concerning international affairs, in which the Secretary or State for External Affairs would either be negotiating himself, or negotiating with somebody as to it. Was the Department of External Affairs consulted in so far as this section is concerned?

Mr. BALCER: I am informed that Department of External Affairs officials were not only consulted, but they took part in the discussion which we have had with the Americans.

Mr. CHEVRIER: Was there a Department of External Affairs representative on your committee which discussed this matter with their opposites in the United States?

Mr. BALCER: May I ask Mr. Lalonde a question: is it not a fact that since Canada has come into being no government has ever imposed any compulsory pilotage dues between Anticosti island and Les Escoumains, or Fathers' Point which are inland Canadian waters, and if we carried Mr. Chevrier's argument further, does that mean that every government since confederation has been doing something against our sovereignty, because they have not charged compulsory dues to ships which enter Canadian waters from Anticosti to Fathers' Point?

Mr. CHEVRIER: I am not making an argument. You are making an argument. Mr. Lalonde is making an argument. I am merely asking questions, which is an entirely different thing.

Mr. LALONDE: Neither the minister nor I are making arguments. We are just discussing matters. The minister asked me a question which I feel I should answer. You are quite right, there has never been any compulsory pilotage due below Fathers' Point, but I think there is a very strong difference between Fathers' Point and further up. The safety regulations above Montreal, between Montreal and Cornwall, are not quite the same as those below Fathers' Point.

Mr. BALCER: I quite agree.

Mr. LALONDE: Now may I ask a question of you? You may pass it on to Mr. Baldwin, because it really is for Mr. Baldwin.

The CHAIRMAN: Very well, Mr. Lalonde.

Mr. LALONDE: As far as any concessions go, these were in the great lakes basin, such as the ones which have been made on the St. Lawrence river, in the Kingston area, where you have 24 men who have to share the earnings of 20; and in the Montreal district where it is strictly Canadian waters, where American vessels will be exempt from compulsory payment of pilotage dues. It seems to me that this is the only area where we have given way to such an extent.

Mr. BALDWIN: Well, I think the only answer I can give is to repeat an answer which has been given already by the minister: that the whole arrangement with the United States covered the great lakes area, and it is an arrangement which involves a give and take on both sides, and it involves recommendations and the reciprocal rule of Canadian-United States pilots, as they cross the boundary in international waters. There is no other item arising out of, or related to that arrangement which involves separate legislation.

Mr. SMITH (*Simcoe North*): Speaking about the sovereignty issue again, you have said that this is a derogation of Canadian sovereignty, and also that it is not made as a result of a treaty with the United States or in consequence of a treaty.

Mr. LALONDE: That is right.

Mr. SMITH (*Simcoe North*): If it were in consequence of the treaty, it seems to me it would be more of a derogation from Canadian sovereignty, because now we are in a position to pass this, and repeal it without any breach of a treaty whatsoever. It is purely an act still, and is entirely within the competence of the sovereign government of Canada. Is that not so?

Mr. LALONDE: Why pass it if you are going to get into trouble and repeal it later on?

Mr. CHEVRIER: Yes, why pass it at all?

Mr. SMITH (*Simcoe North*): It is still an act. We have not given up any sovereignty. It is still an act of a sovereign and its repeal would still be the act of a sovereign.

Mr. LALONDE: I was not talking about the sovereignty of the act, but as to whether or not it should be passed in the first place.

The CHAIRMAN: Are there any further questions of Mr. Lalonde, gentlemen?

Mr. LALONDE: If not, I thank you very much Mr. Chairman and members of the committee for your kind attention.

The CHAIRMAN: I received a wire from Mr. Claude Jodoin, president of the Canadian labour congress. Probably it would only be fair to read it to the committee. It has to do with our meeting today. It reads as follows:

Canadian labour congress wishes to register protest at lack of time available to interested organizations to make representation concerning amendments to Canada Shipping Act through bill C-98 now before you stop Proposed amendments are substantive in nature and represents matters that requires careful study not only by House of Commons but by those likely to be directly affected by them stop Canadian labour congress deplores fact that neither its affiliated organizations nor itself have had sufficient time for details study that such extensive amendments necessitate stop However Canadian labour congress joins Canadian merchant service guild in taking strong exception to proposal contained in section 15 pertaining to change in section 346 of present act stop This proposed amendment in particular constitutes serious curtailment of Canadian sovereignty over Canadian waters as well as hazard to all shipping in such waters and constitutes threat to employment of Canadian pilots trained in necessary pilotage in waters affected stop Urge withdrawal of this proposed amendment and retention of Canadian control over Canadian waters for general welfare of this country.

In connection with the first objection, I do not think there has been any apparent haste in bringing this bill.

Mr. SMITH (*Simcoe North*): If I could interject, we have a Canadian Labour Congress Union here and they are prepared to make submissions to the board.

The CHAIRMAN: Just a moment, Mr. Smith. I was coming to that. I do not feel there was any particular haste, because this notice of motion appeared on the order paper on May 18th; the first reading was on May 20th, the second reading was on May 22nd, and it was referred to the committee on the same day. We are meeting one week later. The notices of the committee meeting were circulated on May 26th.

In connection with the second objection, we have with us today, Mr. Langlois, of the Canadian merchant service guild, who has asked to make a presentation to this committee. This organization is backed by the Canadian labour congress. Is it your wish to hear him?

Mr. CHEVRIER: On the first point, Mr. Chairman, I would like to say this. I respectfully disagree with your suggestion that there has been ample time. In effect, I think you are saying that. There certainly has not been, if you take at its face value the evidence given by Mr. Lalonde, who said he would have come prepared with a brief had he had an opportunity of getting sufficient notice, and that he received a notice because he wired the committee as to

when the matter would come up. He just got his notice on Friday. That is why he stated that he had to give his evidence in the manner which he did, without a text. Mr. Chairman, that is the purpose of my rising. It is to establish what is happening, not only in this committee, but in other committees. I know you, Mr. Chairman, personally, have been extremely fair and generous in your approach to these matters, and I am not directing any finger at you, sir, but I am saying that the manner in which the notice has been given, and the shortness of time that has been allowed certainly has put this witness, and even the members of the committee, on very short notice.

Mr. SMITH (*Simcoe North*): I think there has been far more notice of this meeting than most others. As a matter of fact, the card has been on my desk so long that I almost forgot about it.

The CHAIRMAN: I received a wire from Mr. Lalonde, asking to appear on May 24th, and Mr. Lalonde was notified on that very same day.

Mr. LALONDE: On the Thursday. I received a phone call.

The CHAIRMAN: I will now call upon Mr. Langlois of the Canadian merchant service guild. Mr. Langlois would like to make a presentation to the committee at this time.

Mr. LEOPOLD LANGLOIS (*on behalf of the Canadian Merchant Service Guild*): Mr. Chairman, Mr. Minister, and members of this committee, I appreciate the opportunity of appearing before you to make a representation on behalf of the Canadian merchant service guild.

The Canadian merchant service guild represents the masters, mates and pilots of Canada, and it also represents all the pilotage districts of Canada, with the exception of two. The Canadian merchant service guild has a total membership of approximately 2,600 members.

Mr. Chairman, having received my instructions only late last evening, I wish to apologize for the lack of preparation, which you might notice in the course of my presentation.

First of all, I wish to comment briefly on the statement made by the minister a short while ago. First of all, the minister stated that clause 15 had nothing to do with U.S. pilots piloting vessels in Canadian waters. Although I agree with this statement, I wish to point out that, in practice, we will have United States personnel—they may not be called pilots—piloting ships within Canadian waters, if this clause goes through as drafted.

Again, the minister made mention of the fact that the clause granted no privilege to United States ships to ply in the coasting trade of Canada. I agree with him, but I point out that we are here creating a precedent which might be used in the future to extend the privilege being conferred by this clause to United States ships to other sections or sectors.

I agree with the statement made by Mr. Lalonde that Canadian sovereignty is affected by this proposed bill. I say, as it already has been pointed out to this committee, that Canada is under no treaty obligation to give this privilege to United States vessels. If there was a treaty obligation, then, as the minister said, it will be a question of give-and-take. However, in this case we are only giving; we are taking nothing. I submit that the sovereignty of Canada is affected when we give up, in some degree, a measure of control over shipping and traffic on the St. Lawrence River. It is to be noted here that we are not giving this away to all ships of other nations, but only to those of one nation only.

Also, the minister stated that there was no question of safety of navigation, and he pointed out that compulsory payment of pilotage dues only was being put aside in the case of American ships in this particular sector of the St. Lawrence River. I wish to point out here that the principle of compulsory

payment of pilotage dues has been applied not only in Canada, but the world over, and for a number of years. In the past, the maritime nations of the world used to have compulsory pilotage, but they changed their laws to make the payment of pilotage dues, only, compulsory, because of the many and lengthy litigations which took place, then, as to the responsibility of the ship-owners in regard to damages caused by a compulsory pilot, whilst in charge of a vessel. This was the reason why the principle of compulsory pilotage—and I repeat—not only in Canada, but in most of the maritime nations of the world was changed for the principle of compulsory payment of pilotage dues, instead. To emphasize this, the defence which the shipowners used against claims made for damages caused by ships whilst in charge of compulsory pilots was that since pilotage was compulsory, the pilot was not a bona fide employee of the shipowners.

Now, as Mr. Lalonde pointed out, compulsory payment of pilotage dues is viewed as an incentive for the shipowners to use pilots in districts where payment of compulsory pilotage dues is in force. I must add that this incentive has been very effective since, to my knowledge, in all districts where payment of compulsory pilotage dues exists, all ships do take pilots.

If I understood correctly the statement made by the minister, I take it that this amendment to the Canada Shipping Act came as a result of negotiations which took place between Canada and the United States last year regarding the pilotage problems on the Great Lakes—what we call the Great Lakes basin, and that this came as an aftermath of these negotiations. I am sure that the minister will allow me to use the following expression, when I say that this piece of legislation looks to me, more than anything else, like a thank-you note—a thank-you note to Washington for the spirit of cooperation which they demonstrated during these negotiations.

I would like to proceed, now, with the wording of clause 15 of the bill. My first remark in connection with clause 15 has to do with subparagraph (i), which reads as follows:

Ships registered in Canada or the United States

(i) whose operations are upon the Great Lakes or between ports in the Great Lakes and the river St. Lawrence,

I do not know why Canadian ships have been mentioned in this clause, because Canadian ships already are exempt from the payment of pilotage dues.

Mr. CHEVRIER: You mean under (e)?

Mr. LANGLOIS: Yes, under (e), of section 346. As I said, I do not know why those who drafted this bill included Canadian ships when they already are exempted under the existing section of the Canada Shipping Act, to wit, section 346.

I submit that we should not be misled by this wording, which might give the inference that these American ships—or for that matter, these Canadian ships—which will be benefiting from this exemption would be ships which ply normally in the waters affected by the clause.

First of all, as to those ships which are operating on the great lakes exclusively, there is no doubt that there is no question of experience on the part of those in charge in the sector of the St. Lawrence river between Cornwall and Montreal; and even for those ships which actually go down to Montreal, or which, as in subparagraph (ii), make occasional trips to the maritime provinces, there is no guarantee there that the personnel in charge of those ships will have experience in the waters between Cornwall and Montreal, because the personnel of ships changes quite often.

On one particular trip you may have a master who has some local knowledge of the waters concerned, because he has made occasional trips in that sector of the St. Lawrence; whereas on the next trip you may have a new master who is coming down to Montreal for the first time.

Mr. BALCER: I am sorry to interrupt, but is it your line of thought that Canadian ships should not be exempted from compulsory dues in that district?

Mr. LANGLOIS: No, Mr. Minister. My suggestion is that they should not have been included in this section, because they are already exempt under paragraph E of article 346. As I said, we have no guarantee that the personnel of these ships will have some knowledge of the waters in which they may be called upon to navigate, without the service of a pilot. It is all very well to say that there will be no diminution in the safety factor, but I submit to the committee that the Cornwall-Montreal district was created only last fall. When it was created I suppose the Department of Transport was of the opinion that there was a safety factor involved, and that is was then necessary to create that district in order to ensure the safety of ships plying those waters.

Why—and this is a question that, as far as I am concerned, remains unanswered, and I have been listening to a good deal of the discussion which took place today—why, today, exempt from pilotage or from compulsory payment of pilotage dues ships of the United States in the same sector, when—we are not doing it for ships of other nations? If it is safe for United States ships plying without pilots in these waters, it must be equally safe for ships of other nations to do the same.

Now, as far as the safety part of it is concerned, we know that within this section of the St. Lawrence seaway which has cost the Canadian taxpayers several hundred million dollars there are four important locks, one at St. Lambert, one at Cote St. Catherine and a double lock at Beauharnois. We know that any mishap or faulty manouvering in this section of the river could involve an expenditure of several millions of dollars. Moreover, there is also the danger of ships grounding or being sunk in that section of the St. Lawrence seaway. There is always danger of the seaway being closed to navigation for several months during the already short period of navigation, thus paralysing this important trading avenue for the industrial centers of Canada, and particularly of Ontario; and also to the ore coming from our most important Quebec mineral district on north shore of the St. Lawrence, the Ungava district, which could not reach its destination in the United States, or in the area of the great lakes.

As far as this safety factor is concerned, I wish, Mr. Chairman, with your permission, to quote from the report dated February 10, 1959 of the Transportation and Communications Standing Committee of the Senate, when this committee was studying S-3; and I quote here the words not of a representative of the pilots, but the words of the counsel for the Shipping Federation of Canada; at page 49 of this report of the Standing Committee on Transportation and Communications of the Senate, I quote Mr. Jean Brisset, who was acting as counsel for the Shipping Federation of Canada who made the following statement:

Now, Mr. Chairman as the traffic increased the shipping federation felt that the sailing masters system, which entailed taking the sailing master all through the locks, was not entirely satisfactory with respect to the stretch between Montreal and Kingston where really specialized pilotage is required, and the shipping federation started to develop a pool of pilots that were especially trained for that stretch—

This is a representative of the ship-owners, and the Shipping Federation of Canada speaking; and I continue to quote—

Mr. CHEVRIER: Is that because of the swift waters in that area?

Mr. LANGLOIS: I believe so, yes.

And, Mr. Brisset continued:

and the Shipping Federation started to develop a pool of pilots that were especially trained for that stretch—

That stretch is part of the waters in connection with which we are now considering the possibility of exempting American ships from the payment of pilotage dues, and consequently, from the requirement of having a pilot on board.

Again, in connection with the safety factor, although the master or mate of any ships might have some experience in the waters concerned, and even, for that matter, also, a fair deal of local knowledge, this master or this mate cannot be on duty all the time. Besides the effective running of these large ships which now ply the St. Lawrence River, there is a good deal of administrative work to be performed by the master and the mate, and if, on top of this work, the master and the mate are called upon to be on duty on the bridge day and night, I do not think, if we create such a situation, that they should be obliged to do so. I do not think we should increase the security or the safety risks in this important section of the St. Lawrence seaway. Moreover, the traffic is increasing every day in the St. Lawrence seaway. Larger and faster ships are being built every day, with bigger draughts than ever before. If we keep on building bigger and faster ships, and if we remove from these ships those who have the experience and the local knowledge necessary to take them safely through these important construction works, I believe we are going to create quite a hazard for the navigation through our most important seaway system.

Is it not a fact, Mr. Chairman, that after only a few months of operation of the St. Lawrence seaway, insurance rates have gone up? I submit that there might be the possibility of insurance rates going up again, if the pilots are removed from these ships in that section of the St. Lawrence seaway.

I cannot fail to notice here, today, that those who are mostly interested in this piece of legislation are not present to support it, namely the American shipowners. Really, if this was, to them, an important factor, an important piece of legislation, an important financial factor, surely they would have taken the trouble of coming before this committee to make representations.

The CHAIRMAN: Well, Mr. Langlois, I do not think that that pertains to this bill. They have not made any representation to be here, and if they had, we would have heard them.

Mr. LANGLOIS: Very good, Mr. Chairman. I just wanted to make this remark in passing.

Mr. Chairman, this summarizes the position that we wish to take in respect to this bill. Again, I wish to apologize for the evident lack of preparation.

Mr. SMITH (*Simcoe North*): It was not very evident to us.

Mr. LANGLOIS: I beg your pardon?

Mr. SMITH (*Simcoe North*): Your lack of preparation was not very evident to me. I have listened carefully to you, and I must say that it was very well done.

Mr. LANGLOIS: Thank you very much, sir, and I thank you, Mr. Chairman. Also, I wish to thank the minister and the members of the committee for having given me this opportunity to make my presentation.

The CHAIRMAN: Thank you, Mr. Langlois.

Is it the committee's wish to adjourn at this time, or to question Mr. Langlois?

Mr. CHEVRIER: I have some questions, but if the committee wants to adjourn until tomorrow, it will be satisfactory with me.

The CHAIRMAN: What is the feeling of the committee? Would you like to carry on with the witness we have before us, until five-thirty?

Some hon. MEMBERS: Agreed.

Mr. CHEVRIER: May I ask a question or two?

The CHAIRMAN: Proceed.

Mr. CHEVRIER: Mr. Langlois, in your presentation you made quite a point, I think, in stating that the exemption of pilotage dues is, in effect, the same thing as exemption of having a pilot on board the ship.

Mr. LANGLOIS: Yes.

Mr. CHEVRIER: Why do you say that?

Mr. LANGLOIS: I say that because, as I stated, this is an incentive which has been giving results, because it has the effect that in all the districts where we have compulsory payment of pilotage dues, the shipowners take pilots on board.

Mr. CHEVRIER: Now, there is one other thing I would like to ask you in connection with the kind of pilotage area the St. Regis-Montreal one is. You already have spoken about the locks which are costly and dangerous, and how it might cost a great deal of money if some of the doors were struck. What about the other parts of the area wherein there are no locks? Have you any knowledge of whether it is a difficult area in which to navigate a ship?

Mr. LANGLOIS: It is always very difficult to navigate a ship in a very narrow channel, and in that section in between the locks you are between two embankments most of the time, and the channel is very narrow. Also, since the vessel cannot proceed at full speed, steering is not as good as if they were going at full speed, with the result that whoever is in charge of the ship does not have a good control over his vessel, and this is an element of danger and a real hazard.

Mr. CHEVRIER: You spoke of larger ships being built; have you any figures on the number of larger ships that are being used on the seaway in 1960 as compared to the first year of operation?

Mr. LANGLOIS: I am sorry, but I do not have the figures. However, I know they are being built every day, and they are always bigger and faster ones.

Mr. SMITH (*Simcoe North*): Do you represent all the masters and mates on lake ships?

Mr. LANGLOIS: Yes.

Mr. SMITH (*Simcoe North*): I knew that, but I wanted to make it clear. In addition, you represent foreign-going Canadian masters and mates?

Mr. LANGLOIS: Yes.

Mr. SMITH (*Simcoe North*): In connection with the safety question, what is the safety record in the Great Lakes, generally, of the bulk carriers—the larger ships to which you referred?

Mr. LANGLOIS: I am sorry, but I do not have actual figures. However, I think Mr. Lalonde could give you some information on that.

Mr. SMITH (*Simcoe North*): You have a very good general knowledge of the whole picture. Have there been more or less of them involved in damages, or have the greater part of them been in the foreign-going ships which are not specifically designed for the Great Lakes basin?

Mr. LANGLOIS: I am sorry, sir; I have no information in this regard.

Mr. SMITH (*Simcoe North*): Then you do not have any information as to whether or not these larger ships present a greater safety hazard than would a smaller one?

Mr. LANGLOIS: My argument is that the bigger the ship the greater is the danger, because these bigger ships are more difficult to handle.

Mr. SMITH (*Simcoe North*): Even with the modern equipment they have they are still more difficult to handle?

Mr. LANGLOIS: Yes, because they draw more water than the small ships and therefore are much harder to steer in shallow water.

Mr. CROUSE: Is it not true that with the modern variable pitch propellers and the automatic wheelhouse control that they are under greater control from the wheelhouse today than they used to be.

Mr. LANGLOIS: I am also a ship operator, although of smaller ships than those involved in this, but from my own experience I would say that in respect of this wheelhouse control you are dealing with mechanical equipment. So far as I am concerned I would prefer to have a human being doing the work instead of equipment. Should there be a failure of the equipment there is no one to correct it.

Mr. GRANGER: Would the average freighter have a variable pitch propeller?

Mr. CROUSE: The new modern ones have. The engine never has to reverse; it is constantly going forward.

Mr. LANGLOIS: To the best of my knowledge, I think few of these ships have variable pitch propellers. I believe there are pilots here who could answer the question better than I can.

Mr. FISHER: Have you been consulted at any stage in respect of the amendments to the Canada Shipping Act in the last few years by the Department of Transport?

Mr. LANGLOIS: When bill S-3 was put before the house I do not think we were consulted beforehand, but we did have lengthy discussion afterwards. I do not think we had any discussion prior to the introduction of the legislation.

Mr. FISHER: So far as clause 15 is concerned you were not consulted about it.

Mr. LANGLOIS: No.

Mr. FISHER: And you were not asked for any opinion?

Mr. LANGLOIS: No.

Mr. FISHER: But there is no tradition to the effect that you should be asked for your opinion on something like this?

Mr. LANGLOIS: Not that I know of.

Mr. FISHER: You made the criticism, along the same lines Mr. Lalonde did, that one of the things you would be apprehensive about is the privilege granted by this exemption to American ships and that the next pressure would be to bump down the river even to Seven Islands. That is the point you made.

Mr. LANGLOIS: That is one of the points I endeavoured to make.

Mr. FISHER: Could you give us your views as to the comparable safety factor between this sector and the sector from, say, Quebec down to Seven Islands?

Mr. LANGLOIS: In respect of the safety factor in that sector of the St. Lawrence you are dealing with shallow water, with narrow channels, with ships more or less, if I may say so, imprisoned between two embankments having to proceed at low speed, and having bad steerage way. I feel that unless you have a man with a good deal of local knowledge as to the effects of currents and winds, then the safety factor becomes quite a hazard. This hazard would not exist, for example, in the sector between Quebec and Les

Escoumins. This is the district below Quebec. However, there you have other factors. You would have other dangers and other situations to cope with.

Mr. FISHER: But, in effect, if there is a high danger within this area and perhaps in certain elements a lesser danger when you get down below Montreal, your point is that this exemption really opens an argument for the Americans in attempting to extend it further down right into the gulf.

Mr. LANGLOIS: Yes. I think it would be a very human reaction for the Americans to say that here we have got something without even asking for it, why not ask for some more.

Mr. FISHER: Could you make a generalization about the kind of boats which are moving the traffic from the iron ore ports in the gulf into the lower lakes, in terms of ownership?

Mr. LANGLOIS: There again I would be afraid to lead you into error.

Mr. FISHER: Is there a fairly strong United States ownership amongst the shipping that is moving the iron ore from the gulf into the lower lakes?

Mr. LANGLOIS: I cannot give you any percentages, but I understand that from now on with the new development of Port Cartier, which is a new iron development in the Ungava district, there will be a tendency towards more United States ships operating between this port and United States ports.

There is another thing in connection with the safety factor. There is also the important point that there is a danger of confusion between the lake rules and the international rules of the road. You have the Great Lakes regulations dealing with the navigation of ships, on the lakes and in this sector you also would have the international rules of the road for prevention of collision at sea. Unless you have extensive knowledge of both regulations, there might be another danger in respect of the safety of the ships plying these waters.

Mr. FISHER: As I understand your argument in relation to clause 15 and the fact that ships registered in Canada are mentioned there, it is that this is redundant?

Mr. LANGLOIS: Yes; it is repetition. I do not see why Canadian ships were ever mentioned in this clause because they are already exempt.

Mr. SMITH (*Simcoe North*): To your knowledge is there much difference in the training and qualification of masters and mates on United States lakers and Canadian lakers?

Mr. LANGLOIS: I am sorry to say that I do not know what training they take in the United States.

Mr. SMITH (*Simcoe North*): Have you sailed on the Great Lakes?

Mr. LANGLOIS: No.

Mr. BROWNE (*Vancouver-Kingsway*): You stated that Canada does not need to appear in here because it presently is exempt. You do not have any objection to the fact that Canadians are exempt?

Mr. LANGLOIS: This exemption has been in the Canada Shipping Act since 1934. The exemption has been withdrawn under the provisions of section 347 which allows for this, with the sanction of the governor in council, in whole or in part under certain circumstances. If my memory serves me well, Canadian ships are exempt, for example, in the Quebec-Les Escoumins district if they have a tonnage of more than 2,500 tons, and between 2,000 and 2,500 tons they are exempted, if they normally ply between certain ports in the lower St. Lawrence. I am speaking, of course, from memory.

Mr. BROWNE (*Vancouver-Kingsway*): You have mentioned that the safety factor is an important item. The argument you make is in connection with

safety. What is the difference in safety in a Canadian ship going through there under these circumstances as distinct from an American ship going through, in so far as safety is concerned?

Mr. LANGLOIS: It is not my point, sir. I have mentioned that Canadian ships were already exempt under existing legislation, but I added, and I just repeated it, that the exemption has been withdrawn under 347, and that we are in favour of this withdrawal of exemption, and that we would like to make it as permanent as possible, exactly because of this safety factor.

Mr. BALCER: I suggest your answer was not quite right.

Mr. BROWNE (*Vancouver-Kingsway*): First of all, I think you said they were covered. I am not quite clear on that. First of all, I was under the impression that the word "Canada" in here was unnecessary, because we were exempted under another act. But now I am not quite clear whether that is the case.

Mr. LANGLOIS: Yes, they are exempt under the act; but in other districts the exemption has been withdrawn. However in this one, which is a new district which was created only last November, the exemption has not been withdrawn. Is that clear?

Mr. CHEVRIER: In an earlier question you indicated that this amendment might be the first step to American ships being exempt further down the river, and you mentioned Havre St. Pierre. Is there not being built now by Carghill, an American corporation, a large grain elevator at Baie Comeau, 60 per cent of which is to move Canadian grain, and 40 per cent to move United States grain? I understand it is possible that American ships would operate exclusively from Baie Comeau, moving grain up and down the river.

Mr. LANGLOIS: Very much so. There is that possibility.

The CHAIRMAN: The minister has a few statements he wishes to make.

Mr. BALCER: I would like to ask Mr. Langlois a question, if he is agreeable. You were talking about the dangers in this district. Are these dangers in this district from Cornwall to Montreal different from the dangers in the other great lakes pilotage areas from which both United States and Canadian ships are exempt?

Mr. LANGLOIS: Are you referring to the open waters of the lakes.

Mr. BALCER: I mean the Welland Canal, the Detroit river, the St. Claire river, and the Sault Ste. Marie area.

Mr. LANGLOIS: As far as I am concerned, and it is my personal opinion, I would consider that the danger part is just about the same.

Mr. BALCER: You say it is just about the same. But you said earlier that American ships can have people on board who may act as pilots. Is it not a fact that these people who might act as pilots on board would be there in an official capacity, as you mentioned earlier, that is, they would have to be members of the crew?

Mr. LANGLOIS: Yes, members of the crew. I think they might probably pick up a supercargo and put him on board.

Mr. BALCER: And did not all these dangers that you are mentioning exist before this government made it compulsory for ships to pay pilotage dues in this area?

Mr. CHEVRIER: Are you going into the political aspect of this question, or are you going to deal exclusively with the technical aspect of it?

Mr. BALCER: No, I am just pointing out that these dangerous circumstances existed for a long, long time, and I am trying to find out why nothing has

been done right up to November, 1960? If these dangers were so imminent and so evident to everybody, why were not compulsory pilotage dues established in the past?

Mr. CHEVRIER: Mr. Chairman, I have no objection if it refers to what took place under the Canada-United States agreement. But if it has anything to do with matters previous to 1957, go ahead and allow it, but I do not think it is a fair question.

The CHAIRMAN: No, I do not think it is. Now we have agreed to adjourn at 5:30.

Mr. LANGLOIS: I am not quite satisfied with the answer I gave to the minister. As to the degree of danger for ships plying in this particular section of the St. Lawrence river and the Welland Canal, I think that the pilots concerned will be better qualified than I am to answer.

The CHAIRMAN: Thank you very much. We shall adjourn now until tomorrow afternoon at 2:30 p.m. in this same room if that is agreeable.

Agreed.

HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

TUESDAY, MAY 30, 1961



Respecting

Bill C-98, An Act to amend the Canada Shipping Act
Including Seventh Report to the House

WITNESSES:

Hon. Léon Balcer, Minister, and Messrs. J. R. Baldwin, Alan Cumyn,
R. R. Macgillivray, of the Department of Transport, Me Marc Lalonde,
Counsel, and Mr. Jean-Guy Chartier, Vice-President, of the Federa-
tion of the St. Lawrence River pilots.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

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ON
RAILWAYS, CANALS AND TELEGRAPH LINES

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Badanai	Dumas	McGregor
Baldwin	Fisher	McPhillips
Bell (<i>Saint John-Albert</i>)	Garland	Monteith (<i>Verdun</i>)
Bourbonnais	Granger	Pascoe
Bourget	Grills	Payne
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Chown	Martini	Thompson
Creaghan	McBain	Tucker
Crouse	McDonald	Valade
Denis	McFarlane	Wooliams
		Wratten—60.

Antoine Chassé,
Clerk of the Committee.

REPORT TO THE HOUSE

WEDNESDAY, May 31, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SEVENTH REPORT

Your Committee has considered Bill C-98, An Act to amend the Canada Shipping Act and has agreed to report it with the following amendment:

Subsection (4) of the new Section 457A of the Act as enacted by Clause 23 of the Bill is deleted and the following substituted therefor:

(4) No master or person in charge of a vessel shall be convicted of an offence under subsection (3) if he establishes that compliance with an order of a rescue co-ordinator or person acting under the direction thereof would have exposed his vessel or tow or persons on board to serious danger."

A copy of the Minutes of Proceedings and Evidence respecting the said Bill is appended hereto.

W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 253-D.

TUESDAY, May 30, 1961.

(10)

The Standing Committee on Railways, Canals and Telegraph Lines met at 2.30 o'clock p.m. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs. Bourget, Bourque, Browne (*Vancouver-Kingsway*), Campbell (*Stormont*), Chevrier, Creaghan, Crouse, Denis, Drysdale, Fisher, Granger, Howe, Kennedy, Lessard, Martini, McFarlane, McPhillips, Monteith (*Verdun*), Pitman, Rogers, Smith (*Lincoln*), Smith (*Simcoe North*), Thompson, Tucker, Woolliams, Wratten.—(26).

In attendance: Hon. Leon Balcer, Minister of Transport; and *from the Department of Transport:* Mr. J. R. Baldwin, Deputy-Minister; Mr. Alan Cumyn, Director, Marine Regulations; Mr. R. R. Macgillivray, Assistant Counsel; Captain F. S. Sclocombe, Chief, Nautical and Pilotage Division; Mr. G. Guthrie, Chief Registrar of Shipping; Mr. A. G. E. Argue, Telecommunications Branch. Also, Me Marc Lalonde, Counsel, and Mr. Jean-Guy Chartier, Vice-President of the Federation of the St. Lawrence River Pilots and President of the Cornwall District Pilots.

The Committee resumed from Monday, May 29 the adjourned consideration of Bill C-98, An Act to modify the Canada Shipping Act.

Hon. Leon Balcer again addressed the Committee on certain points arising out of the evidence adduced on the preceding day. The Minister was again questioned and certain questions of a technical nature, directed to the Minister, were answered in turn by Messrs. Baldwin, Cumyn and Macgillivray, of the Department of Transport.

At the request of Mr. Chevrier, it was agreed that Me Marc Lalonde be recalled.

Me Lalonde introduced Mr. Jean-Guy Chartier, President of the Corporation of Pilots in the Cornwall district. These witnesses were questioned briefly and they retired.

The Committee then proceeded to the clause by clause consideration of Bill C-98.

Clauses 1 to 14 inclusive were severally considered and adopted.

ON CLAUSE 15

After lengthy discussion thereon, Mr. Chevrier moved, seconded by Mr. Granger, that the said Clause instead be deleted.

And the question having been put on the proposed amendment of Mr. Chevrier, it was, on a show of hands, resolved in the negative on the following division: Yeas, 7; Nays, 15.

Mr. Chevrier again moved, seconded by Mr. Granger, that the said clause be amended by striking out the words "Canadian or" in the first line of the new paragraph (ee) of section 346 of the Act, as enacted by said clause 15.

And the question having been put on the proposed amendment of Mr. Chevrier, it was, on a show of hands, resolved in the negative on the following division: Yeas, 8; Nays, 14.

Mr. Chevrier further moved, seconded by Mr. Granger, that clause 15 be amended by striking out all the words after "operating" in lines 34, 35, 36 of page 9 of the bill and substituting therefor the following: "in the Cornwall pilotage district."

And the question having been put on the proposed amendment of Mr. Chevrier, it was on a show of hands, resolved in the negative on the following division: Yeas, 7; Nays, 14.

Clause 15 was finally adopted, on division.

Clauses 16 to 21 both inclusive were severally considered and adopted.

ON CLAUSE 22

After some discussion thereon, Mr. Browne (*Vancouver-Kingsway*) moved, seconded by Mr. Phillips, that the said clause be amended by (a) inserting after the word "vessel" in line 43 of page 11 of the bill the words "or tow", (b) striking out the word "it" in the same line.

The question having been put on the proposed amendment of Mr. Browne (*Vancouver-Kingsway*), it was adopted unanimously.

The said clause as amended was adopted.

Clauses 23 to 41, both inclusive, were severally considered and adopted.

The preamble and the title of the bill was adopted.

The bill as amended was adopted, on division, and ordered to be reported to the House.

The Chairman informed that one other bill was before the Committee for consideration at a subsequent meeting at which time the sponsor of the bill and other interested parties would be present.

At 5.30 o'clock p.m. the Committee adjourned to the call of the Chair.

Antoine Chassé,
Clerk of the Committee.

EVIDENCE

TUESDAY, May 30, 1961.

2.30 p.m.

The CHAIRMAN: Gentlemen, we have a quorum.

Yesterday we had called clause 1 and had before us witnesses from the federation of river pilots and from the Canadian merchants service guild, together with the minister and his officials.

We are still on clause 1. Mr. Chevrier.

Mr. CHEVRIER: Before we leave clause 1 to go into a discussion of the bill, I think this committee should obtain some information from the minister and the officials of the department in connection with what I believe is a straight cleavage as between the last witness, Mr. Langlois, and either the minister or the officials. Therefore, there are one or two questions I would like to ask the minister and his officials.

Mr. Langlois, I think in opposition to the minister, made it quite clear that if you do pay pilotage dues then you have to have a pilot on board. In that case, if we assume that is correct—and I have no reason not to assume that after the authorities which he put on the record—the thought strikes me that we are abandoning to the United States our right to insist that their ships be piloted by Canadian pilots in an important and costly section of the St. Lawrence and in waters which are purely Canadian.

Furthermore the thought strikes me, if that assumption is correct, that we are abandoning the right to determine the qualifications necessary for such pilots, because I think the committee will agree from the evidence which was given in a similar bill last year, that the qualifications required for Canadian pilots on the whole—and I do not say this disrespectfully—are greater in Canada than they are in the United States. If that is the case, then we concede to the Americans a status equal to that of the owners and operators of our own vessels. Furthermore, we lose our legitimate right to control over navigation in these waters, and we do this without a treaty. As it is now there is a treaty which gives United States ships and vessels certain rights. If we do it in this manner we therefore do it without any concession, without a give and take, notwithstanding what was said in the evidence of the departmental officials.

Then, again, there is this other question which arises out of the difference of opinion between the two witnesses, mainly, Mr. Lalonde and Mr. Langlois on the one hand, and the officials of the department on the other hand, that the works on the St. Lawrence seaway in this section, namely the St. Lambert lock, the St. Catherine lock and the locks at Beauharnois, are costly navigation projects. In these waters, the water is swift, treacherous, and the United States pilots have never operated in this part of the river from St. Regis down to Montreal. As it is now they are not operating; they are using Canadian pilots. With this amendment granting the exemption, as it is set out in clause 15, they will not be required to use any pilot at all. The master of the ship can take it down in these waters or he can take on a Canadian pilot if he so desires.

Then, as the federation already has indicated through its counsel, its position insofar as this navigation area is concerned, is as is set out in the statement which was placed on the record yesterday. It seems to me that this statement is in complete contradiction—and I say this with respect—to the

minister's statement yesterday when he said that if these dangers did not exist before, why was compulsory pilotage imposed. Well, I think there is quite a distinction to be made. First, the canals were obsolete canals; they were fourteen foot draft canals. Next, the tonnage was not nearly as great as it is since the seaway opened. For instance, there were barely ten million tons of cargo which went up and down in that portion of the section, whereas now there are well over twenty million tons. Therefore, there was no necessity in connection with the aims of the department itself of having pilots at Cornwall and St. Regis. Now they have found it is so important because of the increase in the traffic, because of the new navigation installations which have been put in there, to divide the Montreal-Ottawa-Kingston pilotage area into this Montreal-Cornwall-St. Regis and Cornwall-St. Regis-Kingston area. It seems to me that all this goes to show the reason why it is necessary today, in the light of the evidence which we have had, to have compulsory pilotage.

The government recognized this necessity last fall when it created the new pilotage district between Montreal and St. Regis. If it contends that pilotage is no longer necessary in this area, that is certainly not because of the experience which it acquired from November until this day, or until the act was drafted, because no experience could be acquired during the winter season. The pilotage district was created in November; that was at the end of the navigation season.

From the point of view of safety there is the question of the physical endurance of the pilots. They know that area and know full well that you cannot traverse it within less than six or eight hours because of the winds, the cross currents and the swift waters which cause many delays. Sometimes it takes more than the six to eight hours. Therefore a captain must carry on beyond the six to eight hours notwithstanding the delays.

I think, because of what I have said, there should be an explanation by the departmental officials or by the minister, as to the difference in the positions taken by the two witnesses who have given evidence here and the departmental officials.

I certainly am not satisfied, once it has been said to me that the exemption of dues is the same thing as the exemption of pilotage and, hence, the exemption of pilotage means that the American ships will have rights in this purely Canadian section of the river which, heretofore, they did not have.

Mr. Leon BALZER (*Minister of Transport*): First of all, I must say that they had these rights before. The rights they have today are exactly the same as they had before.

Mr. Chairman, before answering directly the matters which have been brought up by Mr. Chevrier, I would like to make this statement, as I think it will place the question in its proper perspective.

I am afraid the impression has been created by a number of comments made that this amendment is primarily a result of the agreement we have made with the United States for joint pilotage on the Great Lakes. I wish to repeat that, in fact, this amendment is primarily the result of our desire to assist the pilots of the Cornwall-Montreal area by the introduction of compulsory pilotage dues; and it is this particular circumstance which led to the necessity for this amendment. This was the event which brought the situation to a head.

When the pilots presented to me demands for the introduction of compulsory pilotage dues in this region in the autumn of 1960, the details of the joint arrangement with the United States were still in the early stage of discussion. It was, in fact, our decision that the demands of the pilots would have to be met in this regard that led to a situation where we had to consider the effect of this on the U.S. negotiations, then just getting under way.

Moreover, since the pilots insisted that the compulsory dues arrangement be made effective immediately during November of last year, the situation had to be dealt with at that time. It was within this context that it rapidly became apparent to us that the exemption for U.S. vessels should be made if we wished to achieve a satisfactory over-all arrangement with the United States. Thus, the starting point in this whole problem was the pilots' demand for a compulsory dues district, and their insistence that this be made effective in the autumn of 1960. I may add that this situation was fully explained to the pilots at that time.

Mr. CHEVRIER: May I ask a question? If, as the minister says, this is legislation to assist the pilots in the Montreal-Cornwall area, why do the pilots come here and object to the legislation?

Mr. BALCER: Let me carry on, and I think I will answer your question. You see, at that time there was difficulty on the river between the pilots, the shipping federation and the dominion marine. There were threats of strike, and the pilots were called to Ottawa and, amongst the various demands made by the pilots was one in which they were asking that we impose compulsory dues in the Kingston-Montreal district. In order to meet that demand, we agreed with that, and we said that is very good; we will give you the compulsory dues. However, I told them at the time that as soon as an amendment to the shipping act was brought before the house, there would be an exemption for United States ships, and the pilots remember that. That was the basis on which compulsory dues were established in the Cornwall-Montreal district. The reason we are bringing this amendment today is to carry on the undertaking we gave last November.

Now, Mr. Chevrier, in talking about security on ships, brought the point that Mr. Langlois yesterday seemed to be in disagreement with myself and the officials.

Mr. Langlois made a point of mentioning the fact that much of the navigation in this section is between canal walls and dykes. As Mr. Chevrier stated, there are, as well, fast currents and various difficulties. However, he did not mention that this handling of their own vessels in such confined quarters is the special skill of Great Lakes shipmasters, both Canadian and United States. It is about 80 miles along the seaway from Montreal to Eisenhower lock opposite Cornwall, and almost half this distance is within canal limits. As far as Lake St. Louis and Lake St. Francis are concerned, the channels are in any case quite changed from what they were before the construction of the seaway, and are excellently marked. While a Great Lakes shipmaster who had never been down the seaway before might wish to take a pilot at first, he would soon familiarize himself with the channel. It must be remembered that the lake men navigate their own ships without pilots through all the other narrow channels, and into all ports of the Great Lakes system. They are used to the idiosyncracies of their own ships in shallow and confined waters and it cannot reasonably be suggested that in such waters a ship would be safer in the hands of a strange pilot who may never have been on that ship before.

I think that answers this matter concerning security.

Mr. CHEVRIER: How do you account for the fact that there are no United States pilots who take ships down in that area, and there never have been within recent years?

Mr. BALCER: Yes, because the captains are captains of lakers, with experience in these waters.

Mr. CHEVRIER: That is the point.

Mr. BALCER: And, our amendment will still allow only ships piloted by a Canadian pilot, or by a captain of a lake boat. There is no question of allowing United States pilots to pilot ships from Cornwall to Montreal.

Mr. CHEVRIER: I understand that. It is quite clear so far as I am concerned, but it is the question of allowing the master of a United States ship to take his ship right down to Montreal, which we are going into now.

Mr. SMITH (*Simcoe North*): He had that right until November.

Mr. CHEVRIER: It is a question of whether he will not have that under the provisions of this bill or, secondly, whether he can take on a Canadian pilot if he so desires. It is either one way or the other.

Mr. BALCER: That is right.

Mr. CHEVRIER: And, as it is now, because of the treacherous waters, in my opinion—and my opinion may be wrong—he has not the qualifications necessary to take the ship down because it is a dangerous section. It is far more dangerous, I think, than the connecting channels.

Mr. BALCER: That is a matter of opinion, but I shall not agree with it. My experts tell me that the factor of knowing the ship is a big factor so far as pilotage is concerned, and who can know better the handling of a ship than its own captain? However, there is nothing to prevent an American ship from taking a Canadian pilot.

Mr. CHEVRIER: That certainly does not answer the point raised by Mr. Langlois, that it is no longer necessary to have a pilot on board the ship in the St. Regis-Montreal district.

Mr. BALCER: That is it. We have reverted to the situation that existed so far as United States ships were concerned in November, 1960.

Mr. CHEVRIER: But the pilots do not agree with that interpretation, unless I am mistaken.

Mr. BALCER: Their objection also had the purpose of preventing any further encroachment. They wanted to express here very clearly that they were against anything that could be done below Montreal.

Mr. CHEVRIER: They were both clearly against this amendment, first because of the agreement which they thought they had entered into, and secondly because this will be a first step to exempting the ships from pilotage all the way down to Seven Islands, and further, should any ports be created below that at Havre St. Pierre.

Mr. BALCER: I can say as minister there is absolutely no idea or intention of doing that. All we are doing here is going back to the position which existed in November, 1960, so far as the United States ships are concerned.

Mr. CHEVRIER: I think one word could do that. I believe the committee would be happy with the minister's assurances but, as the minister knows, ministerial assurances are modified from time to time. All that is needed is to put the words "and below" in line 35 of clause 15 so that the clause would read:

While operating in any pilotage district on the river St. Lawrence above and below the pilotage district of Montreal.

With those two words you could open up the whole area below the international section to Havre St. Pierre.

Mr. BALCER: So long as I am Minister of Transport that will not be done.

Mr. BOURGET: Was it the intention of the department here not to allow United States ships to carry on in the waters of the St. Lawrence below Montreal?

Mr. BALCER: No.

Mr. BOURGET: And did the minister withdraw a bill providing for that a couple of years ago?

Mr. BALCER: Definitely not.

Mr. SMITH (*Simcoe North*): Following on Mr. Chevrier's question—

The CHAIRMAN: For the benefit of members who have just come in, all this discussion is taking place on clause 15 of the bill, which the committee felt was one of the contentious items.

Mr. SMITH (*Simcoe North*): Following on Mr. Chevrier's statement, up until November 17, 1960, from the time the St. Lawrence seaway was opened until November 17 when the order in council was passed making this a compulsory pilotage area, there must have been a certain number of American lakers going through the seaway. Is that right?

Mr. BALCER: Yes.

Mr. Alan CUMYN (*Director of Marine Regulations*): There were probably very few.

Mr. SMITH (*Simcoe North*): How did they proceed—with their own captains, or did they employ pilots?

Mr. CHEVRIER: They employed pilots.

Mr. CUMYN: We could look into that, but I could not tell you whether they employed pilots or not.

Mr. CHEVRIER: They did employ pilots.

Mr. CUMYN: They took Canadian pilots on board.

Mr. SMITH (*Simcoe North*): They took Canadian pilots up until November. Did they take them on a voluntary basis?

Mr. CUMYN: Yes, and very few they were.

Mr. TUCKER: At what place did they take these pilots on board?

Mr. CUMYN: At the Snell lock when the district was split.

Mr. SMITH (*Simcoe North*): When was the district split in two?

Mr. CUMYN: The district was officially split in two in 1960, but in practice we had been changing pilots at the Snell lock for a year or two.

Mr. SMITH (*Simcoe North*): Now I am a little confused.

Mr. CHEVRIER: Why should you not be?

Mr. SMITH (*Simcoe North*): Then, between St. Regis and Kingston, up until November 1960 was that a compulsory pilotage area?

Mr. CUMYN: It was not.

Mr. SMITH (*Simcoe North*): Then this whole matter of pilotage between Kingston and Montreal, up until November, 1960, was in fact a matter of choice for the ships' captains?

Mr. CUMYN: Absolutely.

Mr. SMITH (*Simcoe North*): And when they took on any pilot in that part of the seaway, up until November 17, 1960, it was a matter of choice for the captains?

Mr. CUMYN: Yes, sir.

Mr. SMITH (*Simcoe North*): I have one further comment or question that might, in a way, be directed to Mr. Chevrier.

Mr. CHEVRIER: I shall be glad to give evidence.

Mr. SMITH (*Simcoe North*): To get back to the narrow lawyer's point of sovereignty, I think Mr. Chevrier would probably agree with me it is more a surrender of sovereignty to give up a right of pilotage in a Canadian area when it is done by treaty with a foreign country than when it is done by mere act of parliament, unilaterally, which we can amend or appeal without reference to any other sovereign country. I think he would agree with that statement.

Mr. CHEVRIER: With great respect, I take issue.

Mr. SMITH (*Simcoe North*): We both had our say, then.

Mr. GRANGER: I would say that pilotage or the use of pilots was on a voluntary basis for all using it.

Mr. BALCER: All.

Mr. GRANGER: Now this voluntary use is going to be confined to Canadians and Americans?

Mr. BALCER: And the British as provided in the act.

Mr. GRANGER: It appeared to me as if the Americans were given an advantage over our British friends.

Mr. MCPHILLIPS: They are foreign ships.

Mr. GRANGER: I may not have understood the minister correctly, but I gather that this special right in this amendment we give to Canadian ships is being extended to American ships and to American ships only. Where does this leave British and commonwealth ships?

Mr. BALCER: British and Canadians have it now.

Mr. CUMYN: This applies to lake ships only.

Mr. BALCER: U.S. lake ships.

Mr. GRANGER: Does this amendment apply only to U.S. ships? For instance, a ship that loads at Boston and comes up to the lakes, this privilege does not apply to such a ship?

Mr. BALCER: No, it does not.

Mr. GRANGER: What about an American ore carrying boat that may load at Seven Islands and come up to Cleveland, for instance?

Mr. BALCER: It would apply, because these ships are lakers and they are built according to the specifications. They ply only in inland waters.

Mr. GRANGER: Even though perhaps future developments might mean there might be a fleet of these ships?

Mr. CHEVRIER: Does that mean the ship Mr. Granger has reference to would be required to take on a Canadian pilot at, let us say, Baie Comeau until he got to Montreal, and then, when he entered the Montreal-Cornwall district, he could dispense with the pilot?

Mr. BALCER: Prior to 1960.

Mr. CHEVRIER: He could dispense with the pilot, take on a Canadian pilot or operate the ship through the waters?

Mr. BALCER: That is above Montreal.

Mr. CHEVRIER: So that there would be a prejudice against pilots in the Montreal-St. Regis district?

Mr. BOURGET: You cannot deny that he is not obliged to take a pilot through Montreal-Cornwall-St. Regis.

The CHAIRMAN: I would appreciate it if you could address the chair.

Mr. SMITH (*Simcoe North*): There is a matter of terminology in this. We have referred in our discussion of clause 15 to ships as lakers, either American lakers or Canadian. Suppose there was an American foreign-going ship, is there anything in the terminology of the proposed amendment that would prevent an American foreign-going ship from coming through without a pilot?

Mr. CHEVRIER: The clause applies to deep sea as well as lakers.

Mr. BALDWIN: The answer is that the definition by its very nature is intended to preclude foreign-going ships.

Mr. CHEVRIER: It does not.

Mr. SMITH (*Simcoe North*): Maybe it is only a lawyer's quibble, but it does not seem to me to be stated as clearly as it might.

Mr. CHEVRIER: Mr. Chairman, I think it is clearly stated here that this applies to both. It says:

Ships registered in Canada or the United States

- (i) whose operations are upon the Great Lakes or between ports in the Great Lakes and the river St. Lawrence,

It does not differentiate or distinguish between deep sea vessels or lakers, which clearly means that it would apply to deep sea vessels as well as Great Lakes vessels.

The CHAIRMAN: Any further questions?

Mr. BALCER: Here is the answer: if a U.S. ship leaves the inland waters of Canada and the Great Lakes, she becomes a deep sea ship and she is not eligible.

Mr. CHEVRIER: You should amend this clause then.

Mr. DRYSDALE: It is covered in subparagraph (ii):

- (ii) whose operations are primarily as described in subparagraph (i)

Mr. KENNEDY: Mr. Chairman, I would like to ask the minister whether this question is not related to the Great Lakes basin pilotage? Our Canadian pilots have the privilege of using the territorial waters of lake Michigan—that is territorial waters of the U.S.A.

Mr. BALCER: Yes. I made a statement yesterday on that point. You are talking about lake Michigan?

Mr. KENNEDY: Is this whole question related to that?

Mr. BALCER: To the whole area of the Great Lakes.

Mr. KENNEDY: What privilege do the Americans get on our side of the lakes?

Mr. BALCER: That is what I explained yesterday. I made it very clear that the Americans have not placed any restrictions. They were under certain pressure from their shipping people to restrict lake Michigan, but they have given us the same exemptions as we are giving them in the Cornwall-Montreal district.

Mr. KENNEDY: The whole thing was negotiated on that basis in view of the fact that the Canadian pilots can operate on American territorial waters, so they asked to have this concession in the river.

Mr. BALCER: As I said earlier, the pilots have been told of that in November, 1960. I certainly do not blame the pilots for trying to extend their field of operation, and I will be the last one to reproach them for coming here and asking for more. On the other hand, they were told last November and they are very well aware of the situation, so that when they asked for compulsory dues to be applied in these waters across the border, it was something new, something they had never had before. We gave the undertaking that we would do that with United States ships. They wanted this to be decided right at that moment, and we did so and told them at the same time that as soon as the Shipping Act was revised in the house we would have to exempt the American ships.

Mr. KENNEDY: The whole thing boils down to this. The pilots do not take exception to this, regarding their rights as pilots, but as has been brought out here, safety is the only thing involved, as far as I can make out. Therefore, you are assuming that the American shipmaster is less efficient than the Canadian or British. Is that it?

Mr. CHEVRIER: Well, he is in that area in which he has never operated before.

Mr. KENNEDY: How do you desire that all these British and American fellows are included, because they are guaranteed space on that, and they must be familiar with it?

Mr. CHEVRIER: They have been getting into pretty serious difficulties.

Mr. SMITH (*Simcoe North*): I would think that the owner of a \$7 million carrier would think twice or three times before he would let his captain down to this area without a pilot, whether the legislation made it compulsory or otherwise. I think that would be the experience which develops from this.

Mr. TUCKER: Were there not a lot of ships damaged last year?

Mr. BALDWIN: We could not claim to have complete records. We know of one instance, mentioned by Mr. Chevrier yesterday, of a German ship which illegally had a U.S. pilot on board in Canadian waters; but the Canadian lakers are supposed to report any accidents to us. They did not report any accidents last season. It is a matter of judgment, whether a minor bump is considered an accident or not. We did have 29 accidents between Cornwall and Montreal—three between Kingston and Cornwall were reported to us. These were all accidents with Canadian pilots on board.

Mr. TUCKER: They all had pilots.

Mr. BALDWIN: In our opinion, they were all in the category of minor accidents, for which no particular blame should be attached.

Mr. TUCKER: They all had pilots?

Mr. BALDWIN: Yes. They were minor accidents, such as the hitting of docks, there was one collision in one district, and one case of grounding.

Mr. CREAGHAN: I seem to be getting more confused than ever on section 15. I wonder if one of the experts would explain what will happen to an American ship going to a port, if there is one, east of Montreal, but not in the maritime provinces, such as the ports along the Gaspé coast in the gulf of St. Lawrence, on an occasional trip. I wonder if the legislation is drafted as well as it should be. I do not know if I am making my point clear. I was thinking of a ship coming down from somewhere on the American side, or the Canadian side, of the Great Lakes, from some place north of Dalhousie in Quebec. There may not be any ports there. I do not know.

Mr. CHEVRIER: Is there any special significance in selecting Dalhousie?

Mr. CREAGHAN: It is a very important place after yesterday.

Mr. CHEVRIER: That is wonderful, if that was the reason for selecting it.

Mr. CREAGHAN: You say that if it is going to a port in the maritime provinces, it is exempt, but this is a port outside the maritime provinces but which happens to be in the province of Quebec, but not on the St. Lawrence. Can it go through the seaway channel without a pilot?

Mr. BALDWIN: Let us take Baie Comeau. If there is a United States vessel which we assume is a laker, by definition it has to be, because I am reminded of the reply to Mr. Chevrier's earlier point that this drafting which referred to a laker is lifted from the exact wording approved by parliament in paragraph 6(a) for the same purpose. As the legislation now stands, and as it would stand if this amendment is passed, this ship would be under no obligation at any point to take on a pilot. When it entered Canadian waters, if it wished to take a pilot, it would have to take a Canadian pilot. In the Cornwall-Montreal section it would not be forced to pay compulsory pilotage dues. In the Montreal-Quebec section, as it now stands, it would be compelled to pay compulsory pilotage dues, regardless of whether a pilot is used or not.

Mr. CREAGHAN: In regard to paragraph (ii), I am wondering if it would not be better if, after the words "voyages to ports" it would not be better to

say "to ports in Canada east of the Montreal pilotage district", rather than "to ports in the maritime provinces of Canada".

Mr. CHEVRIER: You have that in line 35, have you not?

Mr. BALCER: Is that covered by (i)?

Mr. CREAGHAN: (i) does put the St. Lawrence river, as such. If you look at the map you will see the whole east coast of Quebec beyond the Gaspé side of it. You do not see a boat go through there without retaining a pilot away up river.

Mr. BALCER: Paragraph (i) describes the ship. Paragraph (ii) says it is still a laker, even if it makes an occasional trip to the maritime provinces. This is a description of a laker in paragraph (i).

Mr. SMITH (*Simcoe North*): This is the paragraph which Mr. Creaghan was worried about. Does this description of the maritime provinces exclude this lake? That is his worry.

Mr. CREAGHAN: Under paragraph (i) it has to go.

Mr. BALDWIN: It is the same word as was used in paragraph 6(a) a year ago. There is no legal definition of maritime provinces in the act, and this is being interpreted by the department under the previous legislation and would be under the present legislation as applying generally to the Canadian waters of the river, the gulf, and the coast of the maritime provinces.

Mr. CREAGHAN: As long as you have a precedent that it covers the maritime provinces.

Mr. DRYSDALE: Does that come within the definition of inland waters?

Mr. BALDWIN: This goes beyond the boundary of inland waters.

Mr. DRYSDALE: It goes up beyond Anticosti.

Mr. SMITH (*Lincoln*): I would like to get a little clarification, because it seems to me there are two types of American vessels which could be involved. One type is the laker, which operates on the great lakes and goes down as far as Montreal. I believe this legislation is more or less directed to take care of them. But there is another type of American ship, which picks up cargo in the United States or Canada and takes it right across the Atlantic.

Mr. BALDWIN: They are not covered by this amendment.

Mr. SMITH (*Lincoln*): Quite often you will find that same ship with a cargo today going to Europe, but a month from now with a cargo that is only going to Montreal.

Mr. SMITH (*Simcoe North*): There was a suggestion made yesterday that in this proposed amendment Canada was fortuitously giving away something which she did not have to, and that we were just throwing this away to the United States. Now, when was the agreement with the United States signed with respect to pilotage in the great lakes basin?

Mr. BALCER: The answer is at the beginning of May; if I remember correctly, it was May 12.

Mr. SMITH (*Simcoe North*): The discussion with the St. Lawrence pilots went on in the period of September, October and November of 1960, and the order in council was passed on November 17, 1960, making this a pilotage area.

Mr. BALCER: That is right.

Mr. SMITH (*Simcoe North*): During that time, before and after, negotiations were being carried on by departmental officials with the United States over the pilotage agreement?

Mr. BALCER: The answer is yes.

Mr. SMITH (*Simcoe North*): Who, at the departmental level, represented Canada? Who headed the Canadian discussions?

Mr. BALDWIN: There were four or five officials participating. I could give you their roles and ranks in the department; it was Mr. C. S. Booth, senior assistant deputy minister, Mr. Cumyn, Captain Slocombe and Mr. Macgillivray, of the legal division, and two or three others who were not always present at all meetings, as well as representatives of the Department of External Affairs at meetings in Washington.

Mr. SMITH (*Simcoe North*): What officials of the departments in Washington attended?

Mr. BALDWIN: The state department, the department of commerce and the coast guard.

Mr. SMITH (*Simcoe North*): Could you tell us, or could Mr. Booth tell us, at what stage, or if at any stage this matter was discussed with respect to pilotage between Montreal and St. Regis?

Mr. BALDWIN: I think it was reached when the report of the pilots got into the newspapers.

Mr. SMITH (*Simcoe North*): This matter was brought forward by the Americans?

Mr. BALCER: Yes.

Mr. SMITH (*Simcoe North*): As a point of objection?

Mr. BALDWIN: It was brought forward by the Americans as an obstacle to the continuation of negotiations either to pay dues, if it were found necessary, or to impose compulsory dues in a manner which would place this imposition upon them.

Mr. SMITH (*Simcoe North*): It was an obstacle to getting an agreement which was subsequently signed on March 11, 1961, which agreement dealt with pilotage in the great lakes basin area.

Mr. BALDWIN: That is correct.

Mr. DRYSDALE: I was wondering if there was any estimate of the loss of pilotage dues as a result of the implementation of this section?

Mr. BALDWIN: I believe I replied about this yesterday to a question of Mr. Fisher's when somebody made a point of it.

We believe that the United States masters, if they do not feel they are familiar with these waters or are not experienced with them, will use pilots anyway. We do not expect there will be any appreciable effect on pilotage revenues.

Mr. DRYSDALE: Is there any estimate of the loss from the Canadian vessels?

Mr. BALDWIN: The same answer would apply. The Canadian vessels have not been in the practice of using pilots, except where masters feel they need a pilot to assist them. We feel this practice will continue.

Mr. FISHER: I would like to ask Mr. Balcer some questions, and if they are redundant I apologize because I was not here. Yesterday when you were questioning Captain Langlois, Mr. Minister, you seemed to indicate you had some doubts about the validity of the emphasis on the safety factor he had brought forward. I think you had some doubt about its immediate urgency. You seemed to point out it had history and tradition and you did not think it had become recently more serious. Is that fair?

Mr. BALCER: Mr. Chevrier raised this matter this afternoon. I think I have just covered that ground.

The CHAIRMAN: That was covered a few minutes ago.

Mr. FISHER: I wanted to know whether or not Mr. Chevrier asked you to make any comment on certain segments of the brief submitted to you by the federation of St. Lawrence river pilots, in cooperation with some other pilots, on the subject of sections 346 and 347 of the Canada Shipping Act in December, 1960. Did Mr. Chevrier ask you to comment on certain parts of that brief? Could I put on the record an excerpt from this and ask for the minister's comments. On page eight of this brief it said:

The problem is one of safety and we respectfully submit that the introduction of the principle of the optional payment of pilotage dues (which in practice is equivalent to optional pilotage) completely disregards the safety requirements of contemporary shipping on the St. Lawrence river. The mere notion that the master of a ship should be left to himself to decide whether or not he should employ a pilot is completely out of relation with shipping conditions on restricted waters like those of the St. Lawrence river.

Then this is my point:

This point has been clearly set out by the Canadian merchant service guild (eastern branch division) which at its last annual general meeting, on March 22, 1961, adopted the following resolution, which was sent to the Minister of Transport:

"Whereas a brief has been submitted by the Dominion marine association to the Minister of Transport requesting exemptions from the compulsory payment of pilotage dues on the St. Lawrence river;

Whereas the granting of such exemptions would constitute a serious threat to the security of navigation on the St. Lawrence river;

Whereas such exemptions would endanger not only shipping generally, but also the harbour installations and the communities living along the river shore;

Whereas such exemptions would increase the risk of accidents which might result in losses of life and damages amounting to millions of dollars;

Whereas the traffic on the St. Lawrence river has substantially increased;

Whereas the dimensions and speed of ships have also increased;

Whereas navigation by night has become more and more frequent;

Whereas the shipping season is becoming longer and longer on the St. Lawrence river;

Whereas this is no time for the relaxation of safety measures on the St. Lawrence river, but on the contrary these safety measures should be tightened;

The brief then continues. There are a number of whereas's, which embody the theme Captain Langlois put forward yesterday, that there is a need for a tightening rather than a loosening. I just want an indication from you that you and your officials do not accept this argument of urgency.

Mr. BALZER: No. I said that the handling of vessels in these areas in such confined quarters is a matter for the special skill of the Great Lakes ship masters, Canadian and United States. It is about eighty miles along the seaway from Montreal to Cornwall and half the distance is within canal limits. These ship masters really are experts at that. Also they are very familiar with their own vessels; they know how their vessels will react to a change of speed when they meet a certain current or a certain wind. Actually they are the greatest experts, so far as the ship is concerned. If a captain has been going along the same stretch of water for twenty or thirty years he is extremely well qualified. The best pilot for any ship is the one who knows the ships as well as the river.

Mr. FISHER: I did not want you to cover the same ground you covered before. I just wanted a yes or no answer, that you do not admit the relevancy or urgency of this particular argument in terms of safety.

Mr. BALZER: Yes; I agree that we should stress the security of the ships. This is quite right so far as foreign vessels are concerned whose captains have never been in these waters. Actually they should take on a pilot every time they go through these waters. I agree with that. So far as saying that captains of lakers are not qualified to run their ships along these waters is concerned, I cannot agree with that.

Mr. BOURGET: Perhaps my question has been asked. Will masters of ships be obliged to pass an examination or be certificated before being entitled to operate in this way.

Mr. BALZER: Yes. He has to pass his United States lake captain's certificate, which is issued by the United States authorities.

Mr. BOURGET: Are there any regulations concerning the examination? Or before he receives the certificate does he have to have four, five or six years experience on the lakes?

Mr. CUMYN: What you want is the qualification for the United States coast guard certificate?

Mr. BOURGET: Yes. What I am interested in knowing is how the department is going to be sure that a master has the experience necessary to take a ship down from Cornwall-St. Regis to Montreal?

Mr. BALZER: The certificate given by the coastguard is proof of that. They have certain requirements which have to be met before the certificate is issued.

Mr. BOURGET: If they have their own certificate it would not necessarily mean they are qualified to take a ship down from St. Regis to Montreal?

Mr. SMITH (*Simcoe North*): Neither would ours.

Mr. CHEVRIER: Except that our qualifications are higher than theirs.

Mr. DRYSDALE: Is there any penalty if they run aground or cause a delay to the shipping?

Mr. BALDWIN: Presumably we could take action under the Shipping Act in regard to a man's certificate if we found he had acted in a careless or dangerous manner.

Mr. DRYSDALE: If it were made so that if he avoided taking on a pilot and took a chance it could be expensive for him, it might make a difference. On the part of the seaway which I have seen, it could probably tie-up things for quite a while.

Mr. CHEVRIER: If it happened in a lock it would be fatal.

The CHAIRMAN: I would like to suggest that we get back to clause 1.

Mr. CHEVRIER: Before you do that, I think it would be advisable to call Mr. Lalonde back. I would like to ask a question or two.

Mr. SMITH (*Simcoe North*): Yesterday I had a few questions and I think the departmental officials were going to get some information about the total amount of pilotage dues collected in the Montreal-St. Regis area and the St. Regis-Kingston area.

Mr. CHEVRIER: On a point of order, I do not think that question is a proper one, because the minister clearly stated in his opening statement yesterday that this had nothing to do with the income or the receipts which the pilots have.

The CHAIRMAN: The question of remuneration has been raised several times in this committee.

Mr. SMITH (*Simcoe North*): It was raised by Mr. Chevrier too.

Mr. CHEVRIER: No.

The CHAIRMAN: I do not know who mentioned it, but it has been raised.

Mr. CHEVRIER: Would you point out to me in this bill where there is any mention of remuneration.

The CHAIRMAN: There have been a lot of questions.

Mr. SMITH (*Simcoe North*): I was going to withdraw my question. Mr. Chevrier seems to be at some pains to not have this information disclosed. I do not know his reason, but I am perfectly willing to withdraw the question.

Mr. CHEVRIER: Thank you; but I was not at pains. I was just trying to follow the rules.

The CHAIRMAN: Is it the wish of the committee to have Mr. Lalonde back.

Mr. McPHILLIPS: For what purpose?

The CHAIRMAN: Mr. Chevrier has questions he wishes to ask him.

Mr. DRYSDALE: Was Mr. Smith's question ruled out of order?

The CHAIRMAN: He withdrew it.

What is the feeling of the committee with regard to recalling Mr. Lalonde?

Mr. CREAGHAN: Are there any other witnesses who wish to speak on the subject, before the rebuttal? I assume this is the rebuttal of the minister's statement.

Mr. CHEVRIER: No; to clarify it.

Mr. FISHER: Is there any member of this committee whose constituency is involved in this stretch?

Mr. CHEVRIER: Mine used to be and I know it pretty well too.

Mr. DRYSDALE: What is the point?

Mr. FISHER: I would like to hear from the member involved.

Mr. CHEVRIER: Would you like to hear from me?

Mr. FISHER: I expect we will.

The CHAIRMAN: We have a request from one of the members of the committee. What is the feeling of the committee?

Mr. CREAGHAN: Are there other witnesses to be called?

The CHAIRMAN: Not that I know of.

Mr. CREAGHAN: If this is the last witness, I think it is proper that he be called.

The CHAIRMAN: He was heard yesterday, of course.

What is the feeling of the committee? Is it agreed that we hear Mr. Lalonde?

Agreed.

Mr. MARC LALONDE, (*Counsel for Federation of the St. Lawrence River Pilots*): I have here with me today Mr. Guy Chartier who is president of the pilots in the Cornwall district and who has been a pilot in that area for years. If you have specific questions you wish to ask him, you may do so.

Mr. CHEVRIER: Perhaps we might ask Mr. Chartier to give the information Mr. Fisher was requesting,—which I also could give, but if I did I would be precluded as a member from giving evidence unless I were asked to do so. Would Mr. Chartier tell us the conditions of navigation in that area extending from St. Regis-Cornwall to Montreal?

The CHAIRMAN: Did you not put this on the record today?

Mr. CHEVRIER: I thought I did.

The CHAIRMAN: You have had a lot more experience.

Mr. CHEVRIER: I certainly appreciate those kind words, but they will not affect my examination in any way whatsoever.

Mr. DRYSDALE: Could we hear the other expert now?

Mr. JEAN GUY CHARTIER (*Vice-President, Federation of the St. Lawrence River Pilots and President of the Cornwall District Pilots*): Was it a question about the licensing?

Mr. CHEVRIER: No. It had to do with the conditions of navigation.

Mr. CHARTIER: It is of course a very narrow channel and is very tricky. I do not think that anyone who has not sailed in there for six or seven years should be allowed to pilot a ship through. The requirements on the Canadian side call for at least two years and a master's licence, and then you have to apprentice before you can be a pilot. On the United States side they license them after twelve trips. These men cannot be qualified to go down that river.

Mr. SMITH (*Simcoe North*): Are you referring to a United States pilot when you mention twelve trips?

Mr. CHARTIER: A United States pilot or master. A master must get a pilot's licence, and he needs twelve trips before he gets it.

Mr. SMITH (*Simcoe North*): That is a master?

Mr. CHARTIER: Yes.

Mr. SMITH (*Simcoe-North*): I asked the question because I thought we should make it clear that while American masters have a dual capacity, being also licensed pilots, they are going to be permitted to go through this particular section of Canadian waters only if they pass in their capacity as masters.

Mr. CHARTIER: That is right.

Mr. ROGERS: It was my understanding that there was a mutual arrangement made between Canada and the United States in connection with the standards of a pilot.

Mr. LALONDE: Well, sir, if you are talking about the Cornwall district, from St. Regis down, as I said yesterday—and it has been repeated here—this is in strictly Canadian waters, and the qualifications for pilots are strictly Canadian. However, if you are talking about the Great Lakes basin, where there is a joint arrangement system of pilotage between Canada and the United States, we have on the other side of the room people who are much more qualified than us to answer your question. However, I think it is outside the scope of this specific clause which we are discussing, which concerns the strictly Canadian waters in the St. Lawrence from St. Regis, down.

Mr. DRYSDALE: You would suggest that they could not navigate this section after only 12 trips. Have you any record, or any idea, as to the amount of either collisions or groundings as a result of this alleged inexperience?

Mr. CHARTIER: Well, in the Cornwall district they all take pilots, and no accidents happen except, of course, there was the one case involving an American pilot last year.

Mr. CHEVRIER: Is that the accident to which Mr. Baldwin referred a moment ago?

Mr. CHARTIER: Yes.

Mr. CHEVRIER: Could I ask Mr. Lalonde if he agrees with Mr. Langlois, who stated yesterday that the exemption from compulsory payment of dues is equivalent to the exemption of compulsory pilotage?

Mr. LALONDE: In practice, yes, absolutely.

Mr. CHEVRIER: And that would mean, in effect, that the United States vessel would not be required to take on a pilot?

Mr. LALONDE: Well, there, again, if we are discussing this theoretically, or exclusively and technically, one could consider, they are never required to take a pilot on, but they are always required to pay pilotage dues in the area where there is compulsory payment. However, there, again, in practice it is the way to enforce compulsory pilotage in Canada.

Mr. SMITH (*Simcoe North*): I have a supplementary question to that asked by Mr. Chevrier on this particular narrow point. A few American lakers have gone through the seaway in the period prior to November last year.

Mr. LALONDE: Yes.

Mr. SMITH (*Simcoe North*): And, they were not required to take a pilot on board.

Mr. LALONDE: No.

Mr. SMITH (*Simcoe North*): And they were not required to pay dues?

Mr. LALONDE: No, there was no compulsory payment of pilotage dues.

Mr. SMITH (*Simcoe North*): But yet, they took pilots aboard?

Mr. LALONDE: Yes, they all took Canadian pilots. That is another reason why I said yesterday that we feel this clause is premature since, at the present time, there are no American lakers going through without using pilots and, therefore, this is a clause which has no immediate effect on the pilots themselves; and it will have no effect on the American lakers, since they all take Canadian pilots, anyway, at the present time. There is only one question, and that is, it increases the risk or the dangers, and we feel it is a relaxation of the security rules in that area.

Mr. CHEVRIER: Were you present when the pilots and the minister had discussions on this subject last year?

Mr. LALONDE: I think the minister would say so.

Mr. CHEVRIER: You made a lot of noise, I take it?

Mr. LALONDE: Oh, never; I never make any noise.

I do not want to get into an argument on this question. I will just repeat what was handed to the press by the minister on that occasion. This was the declaration:

Canadian and American lake boats from the outset to be exempted from compulsory payment of pilotage dues when no pilot is employed, until outcome of Canada-U.S. negotiations on Great Lakes pilotage.

Mr. SMITH (*Simcoe North*): Possibly you knew that this was being contemplated.

Mr. LALONDE: What we knew was that if it was to be imposed immediately, last year, and if we were to insist on collecting from the American ships immediately, last year, we knew that this would cause difficulty in negotiations; so we agreed not to insist on the collection of the dues, in spite of the fact that by virtue of the Canada Shipping Act, as it is now, they are obliged to pay, by virtue of the bylaw which was passed on the 17th of November last year. In spite of this obligation, we decided we would not insist if, perchance, an American laker would not want to pay it until the negotiations would have been concluded, and that we would leave it for the time being. At the time, negotiations were being carried on, and we did not want to prejudice those negotiations; that is all. There was no commitment on our part that we were accepting this.

Mr. SMITH (*Simcoe North*): I am not stating that you accepted anything. My question was only to indicate that you knew there was a possibility of something like this forthcoming.

Mr. LALONDE: Yes, but to make clear what I said—

Mr. SMITH (*Simcoe North*): I did not infer that you accepted the course of action.

Mr. CHEVRIER: You did not know what the negotiations would result in?

Mr. LALONDE: Well, certainly not.

Mr. BALCER: A very good idea.

The CHAIRMAN: Are there any further questions which you wish to ask of Mr. Lalonde? If not, thank you very much, Mr. Lalonde.

Gentlemen, we will take the bill, clause by clause, and if you want to have any subparagraph or any particular item in each clause discussed, you can signify as we go along. I will just call the main clauses.

Clauses 1 to 7, agreed to.

On clause 8—Surveyor of ships.

Mr. SMITH (*Simcoe North*): It states in this clause that the minister may appoint, at any place outside of Canada, a surveyor. What work does a surveyor do on a ship?

Mr. CUMYN: It is to take care of—

Mr. SMITH (*Simcoe North*): I know what it is to take care of.

Mr. CUMYN: Well, he measures the ships for tonnage; it is part of the registry process.

Mr. SMITH (*Simcoe North*): Assuming that a shipowner is having a ship built in Britain, this contemplates that the minister would appoint a British surveyor?

Mr. CUMYN: Yes.

Mr. SMITH (*Simcoe North*): Is there any likelihood or possibility that a British surveyor, or a German surveyor, as the case may be, would survey a ship in the interests of his own country, to the possible detriment of a Canadian-built ship?

Mr. CUMYN: I doubt that very much. This is a service we exchange with the government surveyors of other countries. We measure ships for them, and they measure ships for us, and I cannot imagine a government surveyor deliberately measuring the ship incorrectly.

Mr. SMITH (*Simcoe North*): Does he have to survey a ship according to our rules?

Mr. CUMYN: Yes.

Mr. SMITH (*Simcoe North*): Or, according to standard international rules?

Mr. CUMYN: In accordance with our tonnage measurement rules.

Mr. SMITH (*Simcoe North*): Of course, we would not have nearly the number of ships to survey for Britain that they would have to survey for us.

Mr. CUMYN: Not at this time.

Mr. SMITH (*Simcoe North*): Approximately what fee would a surveyor be paid? Say, for instance, there is a bulk carrier being built on the Clyde, what would the fee be?

Mr. CUMYN: It would be about \$250 for a large ship.

Mr. BOURGET: Would you not rely upon the insurance company's report?

Mr. CUMYN: No, sir; that has nothing to do with tonnage. This is a government function.

Mr. SMITH (*Lincoln*): In connection with European ships which come through the canals on their first trip, is there any type of surveyor or inspector who inspects them, say, at the Port of Montreal, and finds, for instance, that the superstructure of this ship is going to be too wide to go through the Welland ship canal? I know we had a case of that kind last year.

Mr. CUMYN: This would be a seaway function in relation to the sizes of locks, and it would have nothing to do with this.

Mr. SMITH (*Lincoln*): I know we had a case of that kind last year, where the canal was tied up for three days.

Clause 8 agreed to.

On clause 9.

Mr. GRANGER: In clause 9, reference is made to 10 nominal horsepower and, of course, I have in mind the regulation which calls for a certificated engineer for a fishing boat which has an internal combustion engine of more than 10 nominal horsepower. I understand that there is little, if any, relationship between brake horsepower and nominal horsepower, but I would like to have this clarified, as I think it would be useful as public information. I understand that in the case of nominal horsepower, for instance a diesel engine which has a rating of, say, 165 brake horsepower, or 2,000 r.p.m.'s with a bore 4.25 inches and 6 cylinders, would have a nominal horsepower of 1.8.

Mr. CUMYN: The nominal horsepower depends entirely on the cylinder diameters.

Mr. GRANGER: Is it a fact that it is the diameter of the cylinders squared, times the number of cylinders?

Mr. CUMYN: Yes.

Mr. GRANGER: In a double opposed engine, is it?

Mr. CUMYN: Yes; 30 for a steam engine.

Mr. GRANGER: So, it is 30 for a steam engine and 60 for a diesel?

Mr. CUMYN: Yes.

Mr. GRANGER: The point I want to get at is this: Would that exempt most fishing boats, except of the larger kind? Take, for instance, a 200 horsepower highspeed diesel engine which develops a brake horsepower at high speed; it would have a very low nominal horsepower, while a 200 horsepower diesel engine of a heavy-duty type which turns over slower would have a higher nominal horsepower?

Mr. CUMYN: Yes.

Mr. GRANGER: The points I would like to have clarified are: (a) that the 10 nominal horsepower, even allowing for the smaller difference, would still leave fishing boats other than the larger types in a class which would not require a certificated engineer because, I think, as I said, if every small in-shore fishing boat which had a 10 horsepower engine had to have a certificated engineer, the whole fishing fleet would rot on the beaches. However, I think it has been suggested that where fishing boats are concerned, the experience of engineers might be taken in lieu of technical training. I would like to have the matter of nominal horsepower cleared up, and to be informed what regulations, if any, apply to small fishing boats.

Mr. CUMYN: At present, fishing boats over 10 nominal horsepower, which is something in the nature of 500 brake horsepower, require to be in charge of an engineer with a third class certificate, and we find that the fishing boat engineers, because of their background, cannot qualify successfully for the examination involved in a third class certificate. So, for them we are getting out a special class of certificate which will require a more practical examination and less theory. This is, in fact, a concession or special arrangement for fishing boat engineers, and does not involve introducing a lower horsepower of engines in the category requiring certification. It simply is providing an easier type of certificate for fishing boat engineers, in those categories of engines which now require a certified engineer.

Mr. GRANGER: Thank you very much, Mr. Cumyn. One of the points which I should like to have clarified is that for fishing boats which have power of 10 nominal horsepower or greater, a special certificate is being provided?

Mr. CUMYN: Yes.

Mr. GRANGER: And under 10 nominal horsepower there are no certificates?

Mr. CUMYN: They do not require a certificated engineer.

Mr. SMITH (*Simcoe North*): The general effect is to upgrade the standards of engineers on boats in Canada. Is that not so?

Mr. CUMYN: The general effect is to upgrade the standards or grades of certificated engineers required on the new, very large vessels engaged in home trade on inland and minor water voyages.

Mr. SMITH (*Simcoe North*): Running through shipping circles in Canada last year were rumours of a substantial shortage of qualified engineers, and it was stated that recruiting teams would have to be sent to the U.K. to get engineers. Is this likely to accentuate any large shortage, real or imaginary, of engineers?

Mr. CUMYN: No sir. The large vessels we have in mind are, in practice, employing the grades and classes of engineers we require in this bill, because the owners of the vessels appreciate that the high cost modern machinery involved justifies a higher grade of engineer than is required under present legislation.

Mr. SMITH (*Simcoe North*): Have any steps been taken, or has provision been made for engineers who have been trained, for instance in steam, to get training in diesel or turbine engines?

Mr. CUMYN: The normal way for them to do that is to sail on a diesel ship and gain the necessary experience.

Mr. SMITH (*Simcoe North*): Is there any provisional ticket or temporary ticket they can get, assuming they are qualified in steam, while they are learning about diesel?

Mr. CUMYN: Actually in producing the regulations for the examination of engineers we provide that a man with a steam ticket shall serve something in the nature of three months on a motor ship, and this three months qualifies him for a diesel endorsement on his steam certificate. We find this has worked very well.

Clause 9 agreed to.

On clause 10—rank of classes.

Mr. GRANGER: On clause 10—

The CHAIRMAN: What item in clause 10?

Mr. GRANGER: The definition of a ferry. Does this apply to small ferries operating within a province, ferries which are really a type of extension of the road systems?

Mr. CUMYN: They would still be called ferries, but actually the problem was raised by the large C.P.R. vessels on the west coast, operating between Vancouver and Seattle. They come under the present designation of "ferry" because they are, in fact, licensed by the provincial government, and so would be allowed to operate under a ferry master's certificate. This is obviously quite wrong, and so we are simply removing the word "licence" out of the legislation.

Mr. GRANGER: This would not affect the small ferries operating in connection with highway road systems?

Mr. CUMYN: That is correct.

Clause 10 agreed to.

Clauses 11 to 14 inclusive agreed to.

On clause 15.

Mr. CHEVRIER: Since it has been given in evidence that in all countries of the world compulsory pilotage has been submitted by compulsory payment of dues, and that this section in effect means there will be no longer required the establishment or continuation of compulsory pilotage in the district from Montreal to Cornwall St. Regis because the two systems are equivalent, and the one means the other, and the others have been greatly extended, I want to move, seconded by Mr. Granger, that this clause be deleted. I now move that clause 15 of the bill be deleted.

The CHAIRMAN: There is a motion by Mr. Chevrier. Will you please write out that motion, Mr. Chevrier.

No, it will not be necessary.

Mr. FISHER: I am inclined to support the motion but, before completely making up my mind, since the member whose constituency is affected is present, and since I always like to hear the views of any member directly involved, I would appreciate hearing from Mr. Campbell before the motion is put. I should like to hear a statement from him and an expression of his views on the matter.

The CHAIRMAN: That is entirely up to Mr. Campbell.

Mr. CAMPBELL (*Stormont*): I was receiving visitors in my office and was unable to be here sooner. I am vitally concerned with anything having to do with the seaway, but I am not directly concerned with the pilots, as there is none of them resident in my area.

Mr. CHEVRIER: There are several. They are sitting right behind you.

Mr. CAMPBELL (*Stormont*): Certainly they get off the boats at Cornwall to get on the Eisenhower and Snell locks. That is the only time they come there.

Mr. CHEVRIER: That is not in the Cornwall canal at all.

Mr. CAMPBELL (*Stormont*): The one thing which I am very much concerned about is that there would be no surrender of Canadian sovereignty over the Canadian portion of the seaway, or what is left to us of it. I understand you have to give reciprocal concessions because our own pilotage staff can then invade Lake Michigan and other lakes, and I would ask the deputy minister, Mr. Baldwin, to assure us that in these reciprocal arrangements every effort is made to protect Canadian sovereignty, in other words, to ensure we have a fair and reasonable deal.

Mr. SMITH (*Simcoe North*): On a point of order—

The CHAIRMAN: This question has been gone into quite thoroughly before, and evidence has been given in connection with it. The minister was here. He gave us that assurance and I think that is sufficient.

Mr. CAMPBELL (*Stormont*): Were all the other members present satisfied with the assurance? I presume so, otherwise it would not have been passed.

Mr. FISHER: It has not passed yet.

Mr. SMITH (*Simcoe North*): I think we can appreciate Mr. Fisher's sincerity today and his great desire to start off a Chevrier-Campbell controversy, but in fact this portion of the seaway is entirely within the province of Quebec.

Mr. CHEVRIER: It is not.

Mr. SMITH (*Simcoe North*): It is the lower half, St. Regis to Montreal.

Mr. CHEVRIER: There is much more of it in Ontario.

The CHAIRMAN: Gentlemen, will you please address the Chair.

Mr. FISHER: Sometimes we geography teachers fail.

Mr. CHEVRIER: Mr. Campbell will not like that, because most of it is in his constituency.

The CHAIRMAN: Gentlemen, will you please address the Chair.

We have a motion by Mr. Chevrier, seconded by Mr. Granger, to delete clause 15. All in favour of the motion signify.

Amendment negatived: Yeas, 7; nays, 15.

Mr. CREAGHAN: Practically unanimous.

Mr. CHEVRIER: Mr. Chairman, section 346 (e), which we are amending in part, reads:

steamships registered in any of Her Majesty's dominions—
—are, subject to section 347, exempt from the payment of pilotage dues, which means that Canadian ships are already exempted by this section, section 346 (e). Hence, there is a redundancy here, as was explained by one of the witnesses on behalf of the pilots. Why this redundancy is carried out in the amendment I am unable to follow, unless it be to couple the American pilots with the Canadian pilots and therefore sustain this clause in the bill, thus creating the impression that both Canadian and American pilots are being put on the same level. That is certainly not the case and for that reason I would move that the word "Canada" be deleted in subsection (ee) of clause 15.

Mr. GRANGER: I second that.

Mr. CHEVRIER: So that the clause would read:

(ee) Ships registered in the United States

(1) whose operations are upon the Great Lakes

and so on.

Mr. CREAGHAN: Would that prejudice Canadian shippers?

Mr. CHEVRIER: No, because they were already exempted under subclause (e).

Mr. MCPHILLIPS: Speaking for myself, I do not want them put under that old definition of "Her Majesty's dominions". I want Canada put in there, even if it is redundant.

Mr. CHEVRIER: They are already redundant. You should have a proper way of drafting the statute.

Mr. CREAGHAN: We have to amend paragraph (e) if we follow your suggestion.

Mr. CHEVRIER: What I am suggesting is that you take out the words "Canada or" in (ee) so that the line will read:

Ships registered in the United States.

The CHAIRMAN: There is a motion by Mr. Chevrier, seconded by Mr. Granger, that subclause (ee) in clause 15 be amended by removing the words "Canada or".

Mr. DRYSDALE: On a point of order, I wonder are we right in considering this since we have defeated a motion to delete the whole clause.

Mr. CHEVRIER: Of course we are.

Mr. GRANGER: You voted the clause back in.

Mr. CHEVRIER: We are on clause 15, without any amendments to it.

The CHAIRMAN: We are on clause 15. The original motion was to delete the clause.

Mr. CREAGHAN: The Chair did not put the second question. I think the amendment would be in order.

The CHAIRMAN: Does anyone wish to say anything on this amendment? If not, then I put it.

Amendment negatived; yeas, 8; nays, 14.

Mr. CHEVRIER: I have another amendment. The minister, in his remarks earlier, stated that this clause affected only the district extending between Montreal and Cornwall-St. Regis. That being the case, I would like to move an amendment which would make that effective in having this apply to the whole pilotage district above Montreal. I therefore move that all the words in line 34 after "while operating in" be deleted, and that there be substituted therefor the words "while operating in the Cornwall pilotage district".

The CHAIRMAN: I will ask Mr. Baldwin to explain the department's position in connection with this amendment.

Mr. BALDWIN: While the objectives of Mr. Chevrier and of the department in regard to this particular phrase are the same, I think the problem we would find in regard to the amendment proposed by Mr. Chevrier is one of legal drafting in the sense that the boundaries and name—the boundaries in particular—of the existing pilotage district between Cornwall and Montreal are set up by order in council and may be varied if the circumstances require. If you put down boundaries of names specifically in the act you may, at some time, find advantages between what is in the act and what the governor in council may say with regard to title and boundary in the district. There is no difference in substance as to the objective as it applies only to this particular district, but from the drafting point of view this is the difficulty we would be in as far as the proposed amendment is concerned.

Mr. CHEVRIER: In the other districts, for instance the Montreal district or the Quebec district, have there been any alterations to the boundaries?

Mr. BALDWIN: Yes, sir, in the Quebec district within the last two years.

Mr. CHEVRIER: That is because of the amendment?

Mr. BALDWIN: No, the outermost point was changed from Point au Pere to Les Escoumains—I am sorry, I will correct that, the boarding station only.

Mr. CHEVRIER: There have been no alterations to the boundaries?

Mr. BALDWIN: That is because the boundaries of that district are actually written into the statutes, whereas in the other sections they are left to be established by the governor in council.

Mr. CHEVRIER: You could not anticipate in this case over a period of many years any change in the district from Montreal to Cornwall unless the traffic increased to such an extent that you would make another district between Montreal and Coteau?

Mr. CAMPBELL (*Stormont*): What is the advantage in changing this? Do you see any advantage in this proposed amendment? I cannot see it myself if the general obviously includes the particular.

The CHAIRMAN: We have a motion by Mr. Chevrier that line 34, "while operating in any" be deleted and substituted by the words "while operating in the Cornwall pilotage district."

Mr. DRYSDALE: Is the Cornwall pilotage district defined in the act?

Mr. BALDWIN: No, sir.

Mr. DRYSDALE: So it is meaningless.

The CHAIRMAN: The motion is put by Mr. Chevrier, seconded by Mr. Granger. All those in favour of the motion? Yeas, 7. All those opposed? Nays, 13. I declare the amendment lost.

Shall clauses 15 to 19 carry?

Clauses 15 to 19 inclusive agreed to.

On clause 20—

Mr. CROUSE: On clause 20, paragraph 2, subparagraph (ff):

The marking of vessels to show the recommended safe limits for engine horsepower and gross load capacity.

Does this mean fishing vessels or pleasure boats?

Mr. BALDWIN: This is pleasure craft only, small craft. The problem with many small boats, particularly those which carry outboard motors, as you know is quite often that a novice may not have full knowledge of the engine size or the number of passengers which can be safely carried in his boat. He may either overload passenger-wise or in terms of horsepower. This has been the cause of many accidents. In an attempt to cure this situation, with the voluntary cooperation of the Canadian boating federation, Mr. Cumyn's section developed a technical graph, if you like, for determining safe load limits and safe horsepower limits for these small pleasure craft, and with the cooperation of the great majority of Canadian boat manufacturers for some years now—I think about three—all new boats made in Canada carry these plates, so that the owner knows what the safe horsepower limits and load limits are. Unfortunately we have not been able to achieve the same degree of cooperation in the matter of boats of this sort brought in from the United States, and in spite of attempts, we have found that a substantial number of imported vessels are being marketed, and the importer and/or manufacturer, as the case may be, have been unwilling to use these plates. We are satisfied that the safety of the experiment that we have carried on with the cooperation of the Canadian boating industry and Canadian manufacturers over the last two or three years justifies making this a legal requirement, and we will have the wholehearted cooperation of the Canadian manufacturers in this regard.

Mr. CROUSE: Thank you, Mr. Chairman.

The CHAIRMAN: Clause 20 agreed to.

Clause 21 agreed to.

On clause 22.

Mr. FISHER: I just want to ask the deputy minister, does he remember the disaster in lake Erie several years ago when the drilling rig collapsed? Was that a situation that could have been met by search and rescue, by this kind of a requirement?

Mr. BALDWIN: I think the answer would probably be in the affirmative because the objective we are working towards in improved search and rescue coordination for marine purposes would be designed to help any disaster that takes place on water. With a boat of fixed rate in that particular instance, I do not know what could have been accomplished because my recollection is that there was radio failure and there was no way of knowing what happened. Assuming there is radio communication, in the long run we hope that marine coordination would help as well as anything else.

Mr. FISHER: For some years we have had a naval training establishment at the Lakehead, and they had the Fairmile or some other boat there. An opinion has been expressed, since this group has been called out to rescue people who are lost or are stormbound, that there should be some kind of appointment of a permanent rescue coordinator in various regions so that there would always be someone there to accept responsibility for a lake like lake Superior. Is that envisaged?

Mr. BALDWIN: The first step towards this objective was taken last year with the appointment of three permanent coordinators who are basically planning coordinators in the sense that they have to set up operational procedures. One of these operates in the Great Lakes area. Since his appointment has only

been effective for a few months, he is still engaged in a first review of the problems, but I would expect that in due course the type of thing you have in mind would result from his activities.

Mr. FISHER: What relationship may this have to any policy of moving towards a coast guard, or what someone called a year ago George Hees' navy?

Mr. CHEVRIER: I do not think you should get the deputy minister into that.

Mr. FISHER: This particular clause would not inhibit the creation of the coast guard?

Mr. BALDWIN: This particular clause is designed to improve our effectiveness in marine search and rescue activities.

Mr. DRYSDALE: Could you apply it specifically, for example, to the Pacific coast? You have established this idea of a rescue coordinator, and under subclause (2) he is to order various vessels. What is contemplated, a radio centre?

Mr. BALDWIN: I think we have found that any rescue operation at sea involves the willingness, normally speaking, of vessels in the area to come to the assistance, but we have found also that it is desirable to ensure that there is legal authority to require vessels which may be in the area to participate in a rescue operation if this is deemed suitable, and that when rescue operations take place there will be someone who will be in the role of a coordinator in regard to that particular operation. Who the individual will be coordinating any operation at any particular time, is something no one can foresee. We expect in due course there will be more bodies than just the three I have mentioned; there will have to be a local naming of bodies as well. But the coordinating activity and who is put in charge will depend on all the available personnel in the area, and the decision of the marine coordinator in the maritimes—if it happens to be in maritime waters—in consultation with the R.C.A.F. search and rescue, because he works from their centre, as well as who is the best man on the spot to take charge of this particular operation.

Mr. DRYSDALE: I mentioned specifically the Pacific coast. Has there been any firm development taking place? We had the difficulty, approximately a year ago, with confusion among the various authorities as to who was to take action. One particular situation which concerns me is in connection with the Vancouver international airport. The runways take off into the sea. In the event of one of those jets going down, is there any provision for light aircraft, for example, going out from the airport being provided under this section by the Department of Transport?

Mr. BALDWIN: You are asking a detailed question in regard to a detailed matter on which I would have to seek information either from the local marine coordinator or the R.C.A.F. search and rescue coordinator who is located at the airport. Theoretically the answer should be yes. However, on the west coast I can answer your question by referring to two specific actions. The coordinator there has been developing plans for action for use in the event of an accident, and the two most important things that occur to me, speaking from memory, are his report to us that we need substantially improved communication facilities to deal with this situation. We are seeking authority that will involve a substantial expenditure of funds to provide these over the whole coast for the marine search and rescue operation, and the appointment of an assistant to this coordinator, the coordinator being primarily a planner. The assistant would take more direct responsibility in regard to actual operational search and rescue if and when the need arises. Those two steps are under way.

Mr. DRYSDALE: Could you clarify subclause (2). It is said:

—on being informed.

That is very general. This is something that has yet to be crystallized, the method of coordination. Later, when you say:

—Canadian waters.

Is that the three-mile limit?

Mr. BALDWIN: On the B.C. coast you have a substantial coastal series of channel waters that would be included as well, you realize.

Mr. DRYSDALE: You mention Canadian waters and high seas off the coast of Canada; what do you mean by "the coast of Canada"?

Mr. BALDWIN: That cannot be rigidly defined. It is within an area that is feasible for us to work in. You have to decide this on its merits.

Mr. DRYSDALE: Is there any correlation with the U.S. coast guard?

Mr. BALDWIN: Not specifically. I am informed it is the general term that is used in the safety convention.

Mr. DRYSDALE: There is provision, under paragraph 3, that the master of a vessel must comply with any instructions on the high seas off the coast of Canada. He says "off the coast of Canada". I think it becomes fairly important for the master to know whether he is off the coast of Canada, and is expected to comply with this regulation.

Mr. BALDWIN: The only answer I can give to that, Mr. Drysdale, is that you have to rely on the reasonable good sense of the coordinator not to act in an unreasonable or silly fashion.

Mr. DRYSDALE: I am trying to find out if in effect it meant any Canadian vessel on the Pacific coast could be directed to assist, where it was directly adjacent to the United States coastal waters.

Mr. BALDWIN: Was your concern about waters adjacent to the United States boundary, primarily? I am not quite sure I understood your question.

Mr. DRYSDALE: In that area. I was trying to find out what the words "off the coast of Canada" meant. I was wondering if in effect, you went out, straight out, what would happen?

Mr. BALDWIN: Not necessarily. When you get close to the United States boundary, there is a very close liaison between the search and rescue services in Canada and the search and rescue services in the Seattle-Tacoma area. I would think that if anything happened in that particular area, there would be joint activity between those two centres with the use of whatever ships were in the area, regardless of whether they were Canadian or United States nationality, to assist as might be considered suitable. We would have to rely on United States cooperation if we asked for their help, just as they would ask for our cooperation if they were in need.

Mr. DRYSDALE: When would you envisage this particular section coming into practical effect?

Mr. BALDWIN: Use being made of this?

Mr. DRYSDALE: Yes, the whole of 457.

Mr. BALDWIN: As soon as we are in a position to feel that we have the rescue coordination activities developed, we could make use of this; and I would think we are very close to that situation now, certainly on the west coast.

Mr. DRYSDALE: So it would probably be within the next year or so that we could expect to have it open up?

Mr. CAMPBELL (*Stormont*): Is it the practice to have the Plimsoll line system used in regard to any such vessels which you might visualize?

Mr. BALDWIN: No, that would not be applicable.

Mr. CAMPBELL (*Stormont*): When you say "applicable", what I mean is would it be practicable?

Mr. BALDWIN: It would not be suitable.

Mr. CROUSE: Despite the fact that Mr. Fisher made light of this definition—

Mr. FISHER: Who made light of it?

Mr. CROUSE: Calling it "Mr. Hees' navy".

Mr. FISHER: I heard they had a design for it.

Mr. CROUSE: In many areas, on the east coast and in the great lakes of Canada, there was a welcome change—they are included in the search and rescue service. Legally, I notice that the coordinator may order "any vessel" to take part in a search for a vessel, aircraft, et cetera, and I am wondering if we should not recognize that some vessels may be too small to take part, and perhaps that should read "any vessel capable of providing assistance".

I also wonder if this program will include assistance to the R.C.M.P. Any-one who has ever watched the Royal Canadian Mounted Police when they were carrying out dragging operations, or searching for bodies, or anything like that, must have noticed their lack of equipment with which to do the work. Such observers would appreciate that this system would be of considerable benefit to them. I wonder if it covers them.

Mr. BALDWIN: Theoretically it can. In fact, our coordinators have not yet got to the stage where they have had any time to devote to the question of dragging operations in inland lakes. Their operations have been directly related primarily to the air-sea research problems which exist. Theoretically, it may be used for the purpose you mention.

I understand your point about small craft. It would be silly to ask a 25-foot boat to take part in a major sea operation where you may have a Beaufort sea condition of three or four. Again, in such cases, I feel that one must leave it to the coordinators, to carry on with the personnel which they feel suitable, and to realize that they would act in a reasonable fashion.

Mr. CROUSE: I have been thinking of cases where their equipment may not be equated to the job, where they did not have the necessary equipment to carry out the job which is being given to them.

Mr. FISHER: What effect would these regulations or the powers given in subsection (2) have on salvage rights in international waters?

Mr. BALDWIN: These regulations are not in any fashion intended to interfere with salvage rights. These are only rescue operations, where you are involved in the safety of life.

Mr. FISHER: It has nothing to do with property?

Mr. BALDWIN: If property were saved because there was a safety of life aspect, that would be incidental. To give you an example, our own departmental people receive many requests for assistance. The basic principle under which we act is that we are not to engage in salvage work for which there are commercial fleets available. Our response is to a genuine emergency where there is risk and danger to human life.

Mr. FISHER: Was there any consideration given to including aircraft in section 2, in addition to vessels, so that the order would apply to vessels or aircraft?

Mr. BALDWIN: That is going beyond something which we consider to be the Canada Shipping Act, sir, and is rather a matter which would have to be handled under the Aeronautics Act. Speaking from memory, and without checking up, I think the power would exist already in the minister under the Aeronautics Act to do this sort of thing. However, I would have to double check that.

Mr. FISHER: In the Lake Superior area we are quite often called for rescue operations all around the north shore. There are various enterprises there,

such as hydro and pulp and paper companies who have helicopters and aircraft. That is the reason I asked. My last question deals with the cost of the service embodied in this section. Have you an estimate of the cost?

Mr. BALDWIN: Cost, in what sense, sir?

Mr. FISHER: Rescue operations always cost money. You set up rescue coordinators and give them powers. I assume they have offices and things like that. In this committee it is a good free enterprise question, and I am sure other people would like to know, if you are extending services, what it is going to cost.

Mr. BALDWIN: This would depend on the number of personnel we actually appoint and on what basis they are appointed. I would find it hard to answer the question. However, I suppose the cost of the three coordinators which we have already appointed, and the assistant being selected in one area, would amount to—

Mr. SMITH (*Simcoe North*): I am not a socialist in this free enterprise. I would not say I would not rescue unless someone pays me.

Mr. FISHER: That has nothing to do with it at all. This is setting up an extension of services, enabling you to extend certain services. What is going to be the bill? What is it going to cost? Has that been estimated?

Mr. CAMPBELL (*Stormont*): You start reimbursing people who apply?

Mr. BALDWIN: This clause does not set up anything new. It gives the coordinators who may be appointed by the government power to do certain things. It does not set up anything new.

Mr. FISHER: It surely gives an extension to their facilities. You indicated yourself that they were in a process of building up a system, that there could be regional groups.

Mr. BALDWIN: But that would not be done under the authority of this section. It would be done under the authority of departmental personnel estimates. This section merely gives authority to have certain things done by personnel.

Mr. FISHER: But you would want to have some idea of what the set-up is going to cost. Surely that is a factor to be taken into consideration.

Mr. CHEVRIER: Could I help by asking this question—there are some rescue provisions under the Canada Shipping Act already?

Mr. BALDWIN: Yes.

Mr. CHEVRIER: What did they cost for 1960?

Mr. BALDWIN: I am not aware that you could allocate a specific cost for 1960 in anything relating to the high seas section of the Canada Shipping Act. I would estimate that the cost of the three marine coordinators appointed, and probably including a stenographer, would run to something between \$30,000 and \$40,000.

Mr. DRYSDALE: I wonder if I could ask your legal officer what would be the liability, if any, of the department, through the coordinator ordering these rescue vessels to go out and rescue another vessel—in the event that the captain of a particular vessel, thinking he could do it safely but becoming engaged in a collision or something happening which resulted in loss of life. What is the liability aspect there?

Mr. MACGILLIVRAY: I would like to review a little here. This is clause 457 (a). Already in the act we have clause 457, under which the master of a ship which is in distress is entitled to ask any ship to come to his assistance, and that ship is bound by law to come to his assistance, it is bound by the act to come to his assistance and render that assistance as far as it can without

endangering its own ship. In such cases they have no recourse against the distress of a ship, for any damage they may suffer, or any loss of time, or anything like that. They have a right to salvage, if they save the distressed ship, but I would not think that they have any right against the ship for damage.

This is part of the ancient law of the sea, that everyone helps everyone else. What we are doing here in this is merely filling in the gap for the case where a ship which is in distress cannot act. We had a case not long ago where a ship was in such a position that the master could not call for assistance and it was necessary for someone else to call ships to his assistance.

Mr. DRYSDALE: I think there is a distinct change in this particular bill. It is taking this form out of the master's hands and in a sense deciding what ships might go to the rescue. As you have indicated, the ships which go possibly would have salvage rights. However, where there is a coordinator who may be directing several vessels to go to the rescue, it seems to me that there is no right, as far as I can ascertain at present, against the coordinator, if he places those boats in jeopardy, not being aware of the situation, and if something occurs. Has that been considered, in relation to the question of liability against the department or the crown?

Mr. CROUSE: Would not the insurance carried by each ship cover an incident of this type?

Mr. MACGILLIVRAY: I think the insurance will, if they are going to the assistance of another ship at the request of a rescue coordinator, or at the request of the master of the distressed vessel. In the case where the master of the distressed vessel is unable to call assistance and they go in simply as volunteers, being under no legal obligation, their insurance might not cover them. We are now putting them under legal obligation when they are ordered by a rescue coordinator to go to the rescue. I am not an expert in marine insurance, but I have had the opinion that they will then be covered for their damages under their insurance policy.

Mr. CROUSE: I believe you will find they are protected in their insurance policies.

Mr. MACGILLIVRAY: When they are volunteers without having been called, I am not too sure.

Mr. CREAGHAN: I had a question, but I think it has been covered. There is one aspect of clause 457 (a) which has not been mentioned. It concerns (2) (c). If the coordinator, for example, orders privately owned helicopters to go out, is there any compensation for that type of rescue operation, to the owner of a vessel or an aircraft which carries out an order? I am thinking of the general power under (i) which says that any such order has to be carried out.

Mr. MACGILLIVRAY: I think the order there means orders to vessels.

Mr. CREAGHAN: I did not read it that way. Subparagraph 2 (c) says:

—give such orders as he deems necessary to carry out search and rescue operations for that vessel, aircraft or survival craft.

I would think that would be an all-inclusive direction by statute to do pretty nearly anything he wants to do in the case of an emergency.

Mr. MACGILLIVRAY: If you read the whole section, together with the penalties under subsection 3, you will see that those penalties apply only to masters or persons in charge of vessels who refuse to comply with those orders.

Mr. CREAGHAN: There is no doubt the penalty clause is confined to owners of ships.

Mr. CHEVRIER: Again we are face to face with the same question raised a while ago by Mr. Baldwin, that the helicopters are covered by the Aeronautics Act, and the co-ordinator would have jurisdiction only over matters under the Canada Shipping Act.

Mr. MACGILLIVRAY: I can say the draftsman had no intention of covering helicopters.

Mr. DRYSDALE: Is there any consideration being given to the insertion of similar provisions when the Aeronautics Act is being amended? It seems only natural that one should co-ordinate air and sea rescue operations.

Mr. CHEVRIER: The minister has power to pass regulations which would cover a situation like this, I would think.

Mr. BALDWIN: I would think so. I would have to refresh my memory.

Mr. DRYSDALE: Have these regulations been passed, or are they going to be passed, because it seems to me that on the strict statutory interpretation the only right you have is to send vessels out.

Mr. BALDWIN: There are already existing organizations which are expert in the provision of search and rescue services, and which have been designated by the government for that purpose. There is also the Royal Canadian Air Force search and rescue service which is primarily engaged in the air field, and the availability of aircraft. We would not contemplate that the marine co-ordinator would take on duties related to aircraft. These would be handled by the R.C.A.F. personnel, but they would be working with him for this purpose.

Mr. DRYSDALE: How do you mean, working with them? This is very important as far as we are concerned on the Pacific coast. That is why I am trying to get this idea of a unified organization. Are we running into the same difficulty we had before, and is the air-sea rescue organization going to be separate?

Mr. BALDWIN: Not that I can see, no. There is a liaison section.

Mr. DRYSDALE: There will be liaison physically within the same building, with the same radio set-up co-ordinating them. Is that the intention?

Mr. BALDWIN: Yes.

Mr. GRANGER: This is very vital to us on the Atlantic coast, too, where search and rescue is of importance. For instance, in Newfoundland there is an R.C.A.F. search and rescue team. I think it has been indicated also—and perhaps I should not get too deep into the aircraft aspects of it—but we do seem to be a bit light on surface vessels. I gathered from the remarks of the deputy minister that the co-ordinating authority would rely on ships already in the area, that is, in areas where ships are usually moving. But sometimes it is advisable for there to be other ships. Sometimes there would be small craft from the R.C.M.P., or ships from the Department of Fisheries, or ships owned by the Department of Transport. And without referring to the afore-mentioned “George Hees navy”, I did notice that Mr. Crouse expressed pleasure that at least something was being done for the Atlantic coast.

I think in all fairness I should say that the one new vessel added to the Department of Transport fleet in recent years in Newfoundland was supplied prior to 1957. But the need exists for more surface craft, and I hope that this co-ordinator would be—I suppose there would be a sort of master co-ordinator with assistants, so that whatever available means of rescue there was would be drafted into searching for whoever might be lost. I have in mind—and this refers to Mr. Creaghan's remark—something that actually happened about a month ago. There were two young men who went out in a small boat off the coast of Newfoundland. They were lost. The R.C.A.F. sent a Lancaster to look for them, and they advised the use of a helicopter, but there was none available through the R.C.A.F. So private enterprise rented a privately-owned helicopter

to look for them. It so happened that they were not found. But this highlights the need for equipment to search for the lost, and certainly the need for co-ordination. I think the idea of a rescue co-ordinator is very good; but it would be vitally important if some authority—and in this case it would be the minister—made sure that the means of rescue existed along the coast. I think this is a step in the right direction.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to ask a question in connection with the use of the word "vessel", because it enters into two clauses. I am thinking of a vessel on the Pacific coast towing something such as a tug-boat. I notice that you exempt the master towards the bottom of the page, from penalty, where it says:

No master or person in charge of a vessel shall be convicted of an offence under subsection (3) if he establishes that compliance with an order of a rescue co-ordinator or person acting under the direction thereof would have exposed his vessel or persons on board it to serious danger.

I would like to raise a question about the danger to the thing which he might be towing. I think it already applies to subsection (2), where it says:

On being informed that a vessel, aircraft or survival craft thereof is in distress or is missing in Canadian waters or on the high seas off any of the coasts of Canada under circumstances that indicate it may be in distress,—

I suggest that the words "or tow" should be included in that clause.

Mr. BALDWIN: I think this is a very well taken point. It has already been drawn to our attention by a very helpful group on the west coast, who have given us advice, I mean the British Columbia Tugboat Owners Association. In theory, however, while there would be no objection to saying "vessel or tow", in practice our advisers tell me that this word "vessel" would include the tow in this sense. It may be that I am wrong, but as far as the interpretation we place on it is concerned, that is the case. However if it would help in any way to have the words "or tow" added, we would be glad to do this.

Mr. BROWNE (*Vancouver-Kingsway*): I think I shall move an amendment that after the word "vessel" in the bottom line the words "or tow" be inserted.

Mr. DRYSDALE: I think we should consider the definition of "vessel" first. The definition of "vessel" is as follows:

"Vessel" includes any ship or boat or any other description of vessel used or designed to be used in navigation.

Mr. MCPHILLIPS: That is very important on the Pacific coast. In some cases if the ship is in open water it can let its tow go and leave it right there and go to something else, but in other cases they have to continue to tow and put the tow somewhere where it will be safe.

Mr. MACGILLIVRAY: The definition of "vessel" includes barges, scows and tows generally. The only thing I can think of that it might not include would be a boom of logs. If we need to cover ourselves in this respect I think we would have to add some wording in there such as "or tow".

Mr. CAMPBELL (*Stormont*): The whole of the shipping on the west coast is done by tows, such as on the inland passage. Railroad cars and everything else are towed. This has a basic reference to the east coast and inland condition.

Mr. MACGILLIVRAY: No, the definition of vessel includes anything that will carry a railway car. That certainly would be included in the term "vessel".

Mr. CAMPBELL (*Stormont*): Yes, it would include the tug carrying the railroad car, but it would refer specifically to the tugboat rather than to the tow.

Mr. BALDWIN: "Vessel" includes barges or scows. I do not think it would include booms. That definition is to be found in the definition clause of the Canada Shipping Act.

Mr. DRYSDALE: That is the one I read out:

"Vessel" includes any ship or boat or any other description of vessel used or designed to be used in navigation.

Mr. BROWNE (*Vancouver-Kingsway*): We have with us, I believe, in the committee room today a Mr. Stewart from British Columbia, of the tug-boat owners association of British Columbia. Perhaps it might be of interest to the committee if he were asked to come forward so we might learn what his feelings are in this regard. He is very familiar with such operations, and I think he could be of assistance to the committee.

The CHAIRMAN: I understand from the officials that they are quite happy to accept your amendment, Mr. Browne. So, if that is agreeable, may we have a motion?

Mr. DRYSDALE: I would be in favour of hearing Mr. Stewart's comments, because he is vitally concerned with this co-ordination of air and sea rescue.

The CHAIRMAN: We have a motion made by Mr. Browne, seconded by Mr. Stewart?

Mr. McPHILLIPS: Not if we are going to accept the amendment.

The CHAIRMAN: We have a motion made by Mr. Browne, seconded by Mr. McPhillips, with respect to subsection (4) of the new section 457A in clause 22.

Mr. BROWNE (*Vancouver-Kingsway*): I move that clause 22 be amended by inserting the words "or tow" after the word "vessel" in line 43 of page 11 of the bill.

The CHAIRMAN: Is there any discussion?

Mr. DRYSDALE: There is no definition of "tow" in the act, or is it important?

Mr. McPHILLIPS: No, it is not important.

The CHAIRMAN: All in favour of the amendment please indicate accordingly. I declare the amendment carried. Shall clause 22 now carry?

Mr. CAMPBELL (*Stormont*): Is any consideration being given to a policy of compensation for people going to the rescue, such as commercial or pleasure craft? Is there anything in the Aeronautics Act?

Mr. BALDWIN: This has been discussed many times, but we have not found any solution to it.

Mr. GRANGER: If we cannot bring it up under the act, how should we approach it to get the funds with which to cover the cost when extreme means have to be taken to effect a rescue? Would it be in the estimates?

The CHAIRMAN: Shall clause 22 as amended carry?

Clause 22 agreed to.

Clauses 23 to 30 inclusive agreed to.

On clause 31—Observance of regulations.

Mr. DRYSDALE: I have one question on clause 31. This has extended the liability to a person having the conduct of a vessel. I associate the wording with perhaps control. Would the word "conduct" include the idea of control, or would it be necessary to make that distinction?

Mr. MACGILLIVRAY: It is a word that is used, and it has a fairly well recognized meaning; it is a person having the conduct of a vessel.

Mr. DRYSDALE: It implies the idea of control.

Mr. MACGILLIVRAY: In charge, in control, yes.

Clause 31 agreed to.

On clause 32—"Ship" and "gold franc" defined.

Mr. DRYSDALE: On clause 32 I have one brief question. This is a fairly complex limitation on liability. I wonder what the effect is as far as small boats are concerned?

Mr. MACGILLIVRAY: They do not come under this particular clause.

Mr. DRYSDALE: Would it be the next clause?

Mr. MACGILLIVRAY: There is a subsequent clause which puts a floor on it; it is clause 36.

Mr. DRYSDALE: That is the 300-ton limitation?

Mr. MACGILLIVRAY: Yes.

Mr. DRYSDALE: Under what clause is that?

Mr. MACGILLIVRAY: That is clause 36.

Mr. DRYSDALE: Was that done under the international convention relating to the limitation of liability of owners of sea-going ships?

Mr. MACGILLIVRAY: Yes.

Mr. DRYSDALE: Taking clause 36 with this one, any ship under 300 tons is deemed to be 300 tons for the purpose of liability?

Mr. MACGILLIVRAY: Yes.

Mr. DRYSDALE: So that makes a limitation factor of twenty-thousand for any boat, regardless of the weight limit of 300 tons?

Mr. MACGILLIVRAY: Yes, sir.

Mr. DRYSDALE: This seems to be rather a high limitation. Would it include pleasure boats?

Mr. MACGILLIVRAY: Yes, sir. They can do a great deal more damage than that, of course.

Mr. DRYSDALE: It seems to be a little disproportionate, when you compare a 300 ton boat with perhaps one of these small power boats. Could you give us any of the background?

Mr. MACGILLIVRAY: I think this question of limitation of liability goes back a long time. It was intended to protect shipowners from catastrophic losses arising out of accident at sea. It has been a feature of British law since 1680, and of Canadian law since 1880. And the idea always contemplated is something which affects people using ships commercially. Now, when you have a great many pleasure boats, we can agree that under the terms of the international convention we should put this limitation on them, because after all it is rather hard to say that the pleasure boat operator, or the small boat operator, whether pleasure or not, should have a limitation at all when the automobile operator or truck operator has none and has to insure himself for a very large amount. There is some argument against having it apply to small vessels at all, except that it would be hard to draw a line.

Mr. DRYSDALE: Have you had any representations from small boat owners' associations?

Mr. MACGILLIVRAY: None at all. We have had representations from the Canadian bar association, the Canadian maritime law association, and the Canadian merchant service guild asking us to give effect to the provisions of the convention.

Mr. DRYSDALE: I understand that the Canadian bar association, around 1957, suggested amending the Canada Shipping Act to the five hundred tons, and they say in effect that if they got the three hundred tons under this convention it would amount to about the same thing.

Mr. MACGILLIVRAY: Yes. They were recommending placing a floor of five hundred tons on the limitation figure that is presently in the act. Now, a figure of three hundred tons, with the increased limitation figure, gives you very much the same thing.

Mr. GRANGER: I would like clarification on one point. In the event that the owner of a small boat finds himself out at sea and has to abandon it, what should he do? Should he destroy the boat or sink it before he puts out in a small boat, or what should he do?

Mr. MACGILLIVRAY: You mean in order to avoid its becoming a derelict?

Mr. GRANGER: Yes. If he does this I think he would have great difficulty in collecting his insurance.

Mr. MACGILLIVRAY: That is a very difficult question.

Mr. GRANGER: Say he is ten or fifteen miles off shore. If his only chance is to get out in a small boat, but he knows his other boat will stay afloat, what would he do?

Mr. MACGILLIVRAY: I have never heard of any statutory provision on that subject in the laws of any country. I should think the owner or the master is going to have to make his choice. If he feels he will be under a liability for leaving a derelict—and I am not sure what that liability would be—then he may decide that he ought to scuttle it. I should think that usually they expect they are going to be able to salvage it.

Mr. CROUSE: Commercial masters never scuttle their boats, do they? It is not a common practice. Therefore why would this even be considered in respect of pleasure craft which are much less of a menace than are the commercial vessels.

Mr. BROWNE (*Vancouver-Kingsway*): In respect of this limitation of liability, is the master of a ship, who is also the owner of a ship, in the same position as either an owner or a master separately?

Mr. MACGILLIVRAY: At present he is not. The present section of the act—section 657—provides that the liability of the owner of a ship is limited whether or not the damage occurs without his fault or privity. That is, where it is not his negligence and he is not privy to the negligence. Where you have the owner of a vessel in charge, his liability is not limited at all. This was protection against the catastrophic loss in an event where the owner was held liable vicariously for the negligence of his master or other servants or agents. That is the present provision under the act.

Now, among the amendments in a subsequent clause you will find that the privilege of limitation is being extended to masters and members of the crew. This is a point on which the merchants service guild made quite strong representations. It is a feature of the international convention, and the merchants service guild has been recommending for several years that this be included in the amendments to the act because of the fact that when you had a small vessel with a low limitation figure it was sometimes more profitable to sue the master who had no limitation than to go after the owner. Therefore it was necessary for masters to ensure themselves against damage claims.

Mr. CROUSE: I am not familiar with the merchant shipping industry, but in the fishing industry you can buy for approximately \$195 per man protection

for a year from Lloyds insurance company which covers up to \$200,000 liability for each seaman on your ship. In the event one of them is lost, Lloyds assumes the liability.

Mr. BROWNE (*Vancouver-Kingsway*): Would you indicate just what clause this change comes under?

Mr. MACGILLIVRAY: It is clause 34, new section 659, particularly the wording after paragraph (c), that is from line 44 to the end:

—and to the master or any member of the crew of a ship or servant of the owner or of any person described in paragraphs (a) to (c) where any of the events mentioned in paragraphs (a) to (d) of subsection (1) of section 657, occur, whether with or without his actual fault or privity.

Mr. BROWNE (*Vancouver-Kingsway*): I have some questions on this clause, but perhaps I should wait until this clause is reached.

Mr. DRYSDALE: I am wondering what the situation is regarding the crown's ability to limit liability. Is there any limitation so far as the crown is concerned?

Mr. MACGILLIVRAY: There is no restriction on the crown's right to limit its liability. The crown may now limit its liability.

Mr. DRYSDALE: In the case of the crown being involved, does this limitation of liability bind the crown?

Mr. MACGILLIVRAY: The courts so found two years ago in the Supreme Court of Canada. There was a time when the Canadian bar association recommended that the act be amended so as to provide for this, but in the interim the courts found that an owner may litigate against the crown.

Mr. DRYSDALE: And they did not feel, therefore, there is any necessity for legislation?

Mr. MACGILLIVRAY: The Canadian bar association thought it was not necessary now to amend the act.

Clauses 32 and 33 agreed to.

On clause 34, extension of limitation of liability.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to determine how the status of a man who is a master and owner of a ship has been changed. In subsection (d) of new section 659 it says: "without their actual fault or privity". If the man is a master already, and is acting as master on a voyage, I do not see how he could escape the implication of those words.

Mr. MACGILLIVRAY: Well, sir, the proposed new section 659, contained in clause 34, makes it clear that the provisions of section 657 extend to the master of a ship, whether the events mentioned occur with or without his actual fault or privity; and although we have not expressed the thing in words, it does apply to him, whether or not he is the owner. That certainly is our intention in drafting it.

Mr. BROWNE (*Vancouver-Kingsway*): I appreciate that, but I was wondering how, if he is both master and owner, he could escape those words, when you say it must be without their actual fault or privity. It would seem to me that if he was both master and owner of a vessel, it would be very difficult to escape that wording.

Mr. MACGILLIVRAY: Well, certainly the draftsman intended, in the wording of section 659, as contained in this clause, to cover the case of the master, regardless of whether he is the owner or part-owner, and I think they have.

Mr. BROWNE (*Vancouver-Kingsway*): I wonder if this could be brought to the minister's attention and, perhaps during the interval between now and when it comes up before the house, the real aspects of this could be satisfied, and we could be advised that that is the case.

Mr. MACGILLIVRAY: Yes, I will do that.

Mr. DRYSDALE: Could you clarify what the words "manager or operator of a ship" mean?

Mr. MACGILLIVRAY: No. The terms are pretty well understood, I think, in the trade. The intention here is to cover everyone from a charterer to a manager. They are words which are used in the international convention.

Mr. DRYSDALE: I ask this, because in paragraph 31 you are using "owner, master and person", and here you have "manager or operator of a ship". I don't know, but perhaps they could have some technical significance.

Mr. MACGILLIVRAY: They are pretty broad general terms, sir. The act already, in subsection (2) of section 657, extended it to owners, builders or other parties interested in any way. "Other parties interested in a ship" is a very broad term, and I do not think we have broadened that.

Mr. DRYSDALE: Well, "owners and builders" are fairly common terms which we use every day; but what is the significance of "manager or operator of a ship"?

Mr. CROUSE: In other terminology, it also could be classed as the managing owner or ship's husband. Either term would mean the same as "manager or operator", in my experience.

Mr. CAMPBELL (*Stormont*): Any negligence of a quartermaster at the wheel would be negligence of the master in charge of a ship. He would assume that responsibility, and that is inclusive of all subordinate officers. The responsibility of the master includes the responsibility of the subordinate officers.

Clause 34 agreed to.

Clauses 35 to 37 agreed to.

On clause 38—appeal.

Mr. DRYSDALE: Mr. Chairman, I have one question before we finish. My question does not concern, specifically, clause 38, but I would like to know how many nations are signatory to this international convention.

Mr. MACGILLIVRAY: I am sorry, but I do not have the figures, sir. Canada is a signatory, but has not ratified, as yet, the convention. We have to take the appropriate legislative action, first.

Mr. DRYSDALE: Is this a step in the legislative action?

Mr. MACGILLIVRAY: Yes.

Mr. DRYSDALE: How many does it require to ratify this convention? Also, have we the requisite number, and what is the effect of a vessel not a party to this convention which is operating in Canadian waters? Does it come under the terms of it?

Mr. MACGILLIVRAY: The convention does not restrict its operation to the ships of convention countries, except in relation to some features of the convention which we have not brought forward yet for legislation. The convention also provided for the release of an arrested ship by a court. If a ship were arrested in another convention country and was then, again, arrested in Canada, it would have to be released upon proof that appropriate bail had been posted in the other country, or by posting the balance of the bail here.

Those features are ones which we have not yet been able to bring forward in the amendments at this time, because they are still under study. Those are the only features that made the term "convention country" significant in relation to the convention.

Mr. DRYSDALE: Is the United States a participant in the convention?

Mr. MACGILLIVRAY: I am fairly sure they have not ratified it. I cannot say.

Mr. DRYSDALE: In connection with this 300-ton limitation provision, what would happen in the event, say, for example, a collision occurred between an American and Canadian ship in Canadian waters?

Mr. MACGILLIVRAY: If the action was brought in the Canadian courts, this provision would apply. Our present limitation provisions apply, as the act now stands, to ships of another country in Canadian waters.

Mr. DRYSDALE: And this would be a carry-over of this same provision?

Mr. MACGILLIVRAY: Yes. Of course, the limitation and the approach in the United States is different than in Canada, and there is a tendency to shop around for the courts that suit you best.

Clause 38 agreed to.

Clauses 39 to 41 agreed to.

Preamble agreed to.

Title agreed to.

The CHAIRMAN: Shall the bill, as amended, carry?

Mr. GRANGER: On division.

The CHAIRMAN: Shall I report the bill?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Gentlemen, we have another bill which has been referred to us. It is bill S-15, an act respecting the construction of a bridge over the St. Lawrence river near the city of Three Rivers.

As I do not know when the principals want that called, we will adjourn until, perhaps, Thursday afternoon.

Mr. BOURGET: I have no objection to carrying on with that bill. It will take only two or three minutes. That particular bill was studied about three years ago.

The CHAIRMAN: But we do not have the sponsor of the bill with us today, and it is only common courtesy that we should wait until he is ready.

HOUSE OF COMMONS

Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

WEDNESDAY, JUNE 21, 1961

Respecting

Bill S-19, An Act respecting The Cumberland Railway and Coal
Company and the Sydney and Louisburg Railway Company
Including Ninth Report to the House

WITNESSES:

Mr. R. C. Merriam, Q.C., Parliamentary Agent; *From Dominion Steel
and Coal Corporation Ltd.*: Messrs. R. E. Cromwell, General Solicitor
and Lindsey Pursey, Comptroller; *From Brotherhood of Railroad
Trainmen*: Mr. W. G. McGregor, Canadian Legislative Representative
and Chief Agent.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

Vice-Chairman: Martial Asselin, Esq.

and Messrs.

Ailmark	Dumas	McGee
Badanai	Fisher	McGregor
Baldwin	Fournier	McPhillips
Bell (<i>Saint John-Albert</i>)	Garland	Monteith (<i>Verdun</i>)
Bourbonnais	Granger	Pascoe
Bourget	Grills	Payne
Bourque	Horner (<i>Acadia</i>)	Phillips
Brassard (<i>Chicoutimi</i>)	Johnson	Pigeon
Brassard (<i>Lapointe</i>)	Keays	Pitman
Browne (<i>Vancouver-Kingsway</i>)	Kennedy	Rapp
Bruchesi	LaMarsh (<i>Miss</i>)	Rogers
Cadieu	Lessard	Rynard
Campbell (<i>Stormont</i>)	MacInnis	Smith (<i>Lincoln</i>)
Campeau	MacLean (<i>Winnipeg North Centre</i>)	Smith (<i>Simcoe North</i>)
Chevrier	Martin (<i>Essex East</i>)	Speakman
Creaghan	Martini	Thompson
Crouse	McBain	Tucker
Denis	McDonald	Valade
Drysdale	McFarlane	Woolliams
		Wratten—60.

Antoine Chassé,
Clerk of the Committee.

ORDERS OF REFERENCE
HOUSE OF COMMONS

FRIDAY, June 16, 1961.

Ordered,—That Bill S-19, An Act respecting The Cumberland Railway and Coal Company and the Sydney and Louisburg Railway Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

MONDAY, June 19, 1961.

Ordered,—That the name of Mr. Fournier be substituted for that of Mr. Chown on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON-J. RAYMOND
Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, June 22, 1961.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

NINTH REPORT

Your Committee has considered Bill S-19, An Act respecting The Cumberland Railway and Coal Company, and the Sydney and Louisburg Railway Company, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to the said Bill is appended hereto.

Respectfully submitted,
W. M. HOWE,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, June 21, 1961.

(12)

The Standing Committee on Railways, Canals and Telegraph Lines met at 2.30 p.m. this day. The Chairman, Mr. W. M. Howe, presided.

Members present: Messrs Allmark, Badanai, Baldwin, Bourque, Campbell (*Stormont*), Campeau, Crouse, Denis, Drysdale, Howe, Lessard, MacInnis, McBain, McGee, Pitman, Rogers, Rynard, Thompson, Tucker.—(19)

In attendance: Mr. R. C. Merriam, Q.C., Registered Parliamentary Agent; and from the *Dominion Steel and Coal Corporation Limited*: Messrs. R. E. Cromwell, General Solicitor, and Lindsey Pursey, Comptroller. *From the Brotherhood of Railroad Trainmen:* Mr. W. G. McGregor, Canadian Legislative Representative and Chief Agent.

The Committee proceeded to consider the following Bill, namely:

Bill S-19, An Act respecting The Cumberland Railway and Coal Company and the Sydney and Louisburg Railway Company.

On motion of Mr. McGee, seconded by Mr. Bourque,

Resolved,—That the proceedings of the Committee on Bill S-19 be reported and printed.

On motion of Mr. MacInnis, seconded by Mr. Drysdale,

Resolved,—That, pursuant to its Order of Reference of February 6, 1961, the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in relation to its consideration of Bill S-19.

On the Preamble

The Chairman called on Mr. Merriam, the Parliamentary Agent, who after introducing Messrs. Cromwell and Pursey, explained the background of the Bill.

Messrs. Merriam, Cromwell and Pursey were questioned and supplied additional information.

Mr. McGregor was then called and he made a brief comment.

On Clause by Clause consideration

The Preamble, Clauses 1 to 5 and the Title were severally carried; the Bill was carried without amendment.

Ordered,—That Bill S-19 be reported to the House without amendment.

At 3.30 p.m. the Committee adjourned to the call of the Chair.

M. Slack,
Acting Clerk of the Committee.

EVIDENCE

WEDNESDAY, June 21, 1961.

The CHAIRMAN: Gentlemen, this afternoon we have before us private bill S-19, an act respecting the Cumberland Railway and Coal Company and the Sydney and Louisburg Railway Company.

First of all we should have a motion that the proceedings of the committee on bill S-19 be reported and printed.

Moved by Mr. McGee, seconded by Mr. Bourque.

Motion agreed to.

The CHAIRMAN: The second motion is in respect of printing. The usual practice is to print 700 copies in English and 250 copies in French.

Moved by Mr. MacInnis, seconded by Mr. Drysdale.

Motion agreed to.

The CHAIRMAN: I will call the preamble and ask Mr. Merriam, who is the parliamentary agent, to come forward.

Mr. R. C. MERRIAM, Q.C. (*Registered Parliamentary Agent*): I have with me Mr. R. E. Cromwell, general solicitor of the Dominion Steel and Coal Corporation, and Mr. Lindsey Pursey, comptroller of that company.

Perhaps I may give a brief explanation of the background of this bill and then if the members have any questions to ask with regard to the detailed operations, either Mr. Cromwell or Mr. Pursey are available for that purpose.

The Cumberland Railway and Coal Company is a federally incorporated company. It was incorporated in 1883 to operate a railway line from the village of Springhill to Parrsboro in Nova Scotia. After 1920 it became much more convenient to ship the coal direct from Springhill rather than to take it to Parrsboro and trans-ship by water. So, after 1920 the line from Springhill Junction to Parrsboro became very little used and was subsequently abandoned, on order of the board of transport commissioners. That left the line from Springhill to Springhill Junction, a distance of approximately four miles, as the only line being operated by the company.

You will recall the disaster that struck Springhill in 1958, as a result of which the mine was closed down and very, very little traffic was carried over even the small short line from Springhill to Springhill Junction.

In 1959 the company made an application to the board of transport commissioners for permission to abandon the track from Springhill to Springhill Junction and in February of 1961 that order was forthcoming. Therefore, that undertaking has now also been abandoned.

The Cumberland Railway and Coal Company is a wholly owned subsidiary of Dominion Steel and Coal Company. Another wholly owned subsidiary of Dominion Steel and Coal is the second applicant, the Sydney and Louisburg Railway Company, which is a Nova Scotia company incorporated in 1910 which operates a railway from Sydney to Louisburg. A large part of its traffic is the hauling of coal from the Dosco mine to Sydney where it joins the Canadian National Railways and from there is transported throughout Canada. It also carries some passenger and general freight between Glace Bay and Louisburg.

Mr. DRYSDALE: How many miles of track?

Mr. MERRIAM: Roughly forty miles.

Mr. LINDSEY PURSEY, (*Comptroller, Dominion Steel and Coal Corporation*):

The direct line is about twenty-one miles.

Mr. MERRIAM: The main line is twenty-one miles in length from Sydney to Louisburg.

While these two companies were both in operation, and both being subsidiaries of Dominion Steel and Coal, and the Cumberland Railway and Coal Company being a federal company, the board of transport commissioners accepted jurisdiction of both operations. As a result of that jurisdiction, the Maritime Freight Rates Act became applicable.

With the abandonment of the Cumberland Railway Company operations, that link in the corporate chain, which gave the board of transport commissioners jurisdiction, disappeared and the opinion now—and I might say that the board of transport commissioners share this opinion—is that the Sydney and Louisburg Company would revert entirely under provincial control, beyond the jurisdiction of the board of transport commissioners, and therefore would not qualify for assistance under the Maritime Freight Rates Act.

It is of considerable significance to the operation in the Maritimes that this assistance be forthcoming, for two reasons: one is that it would have considerable effect on the costs of hauling coal; and, secondly, there are some two hundred pensioners of the Cumberland Railway Company. At the moment, that company has no funds with which to continue to pay those pensions, although Dosco has up until now seen that they have been maintained in good standing. It is not a funded pension plan, so there is no vested interest; but it is certainly the desire and intention that those pensions be continued.

Faced with this situation, the applicants have come to parliament asking for three things: first, and probably of minor significance and importance, we are asking that the name of the Cumberland Railway and Coal Company be changed to Cumberland Railway Company, since there are no further coal operations, and Cumberland Railway Company seems to be much more indicative of the nature of the company's business.

Secondly, we are asking that the works and undertakings of the Sydney and Louisburg Railway Company be declared for the general advantage of Canada. If parliament sees fit to grant that request, the effect will be that the board of transport commissioners will have jurisdiction and the company will become eligible once more for assistance under the Maritime Freight Rates Act.

Thirdly, we are asking that the powers of the Cumberland Railway Company be extended so as to authorize it to amalgamate with any other company. The purpose of that simply is that it is the intention that these different operations be amalgamated into and continue as one operation. At the moment Cumberland does not have that power in its charter. It is for that reason we are asking this be granted at this time.

This bill as such, if passed, will not affect the status of any present employee of either of these companies.

I do not know that there is much more I can say in explanation of the background and purpose of this bill. As I indicated at the beginning, if there are detailed questions of a nature which I am unable to answer, I am sure either Mr. Cromwell or Mr. Pursey can do so.

Mr. BOURQUE: This line operates only in Nova Scotia; is that right? It does not go beyond the maritimes or Nova Scotia?

Mr. MERRIAM: Are you speaking about the Sydney and Louisburg Railway Company?

Mr. BOURQUE: Both lines. The railway now will only operate in Nova Scotia and will not go beyond the limits of Nova Scotia?

Mr. MERRIAM: That is right.

Mr. BOURQUE: You say there are about forty miles of track?

Mr. MERRIAM: Twenty-one miles of main track.

Mr. BOURQUE: And two hundred pensioners at the present time, I understand.

Mr. MERRIAM: Yes.

Mr. BOURQUE: How much would these pensions be approximately?

Mr. R. E. CROMWELL (*General Solicitor, Dominion Steel and Coal Corporation*): The two hundred pensioners who are on the pension plan of the Cumberland Railway would receive now approximately \$56 a month.

Mr. BOURQUE: That would amount to practically \$600,000 a year.

Mr. CROMWELL: The amount paid now is about \$140,000 a year.

Mr. BOURQUE: If you have two hundred pensioners at \$40 a month—I have this figured out roughly at \$40—it would come to \$8,000 a month.

Mr. CROMWELL: If you multiply it out you will find it is approximately \$140,000 a year.

Mr. BOURQUE: If this company takes over the other company and all the assets and everything, but is not operating the other railway, how will they be able to pay this \$140,000 a year? That is a sum they must pay.

Mr. CROMWELL: We are paying those pensions now, even though the company is losing money. When the Cumberland Railway takes over the S and L Railway, this would give the Cumberland a source of revenue with which to pay these pensions, which they do not have now. Once abandonment takes effect on the Cumberland Railway they will have no revenue. When the Cumberland Railway takes over the operation of the Sydney and Louisburg Railway it will be taking over a company which is being operated at a profit.

Mr. BOURQUE: What I cannot understand is, if you have a company such as Cumberland Railway which will not operate any more, where will the profit come from?

Mr. CROMWELL: The Cumberland will be taking over the operations of the Sydney and Louisburg Railway.

Mr. BOURQUE: They will not operate their own railway but will take over the other.

Mr. CROMWELL: Yes. Their operations in Springhill are dead. Actually it is a change in name. The same railway will be running only under the name Cumberland Railway.

Mr. MCGEE: Are its pensions funded now?

Mr. CROMWELL: No; they are being paid by the company.

Mr. DRYSDALE: What is the total number of employees on each of the railways at the present time?

Mr. CROMWELL: In the Sydney-Louisburg, 353 employees.

Mr. DRYSDALE: And how many in connection with the Cumberland?

Mr. CROMWELL: Twelve, right now.

I would like to correct one statement Mr. Merriam made to the effect that the Cumberland has been abandoned. Six months after the order was given, we can abandon it, which is the end of July.

Mr. BOURQUE: Do you mean to tell me that DOSCO now assumes and pays the pensions of 200 men, when they are not obligated to pay them?

Mr. CROMWELL: That is right.

Mr. BOURQUE: Just out of the goodness of their hearts?

Mr. CROMWELL: Yes, and out of their funds.

Mr. BOURQUE: The point that I want to make is that although they are not obligated to pay them any pension, they are so doing for the work they have done?

Mr. CROMWELL: Yes. Actually, the pensions are now paid by Inland Coal Company.

Mr. PITMAN: What kind of pension plan was it—a contributory plan?

Mr. CROMWELL: No, it was not. It was straight payment by the company.

Mr. DRYSDALE: You indicated one company operated at a loss. What was that loss?

Mr. CROMWELL: Do you mean the Cumberland?

Mr. DRYSDALE: Yes, the Cumberland.

Mr. CROMWELL: It was operating at a loss. They have an accumulated deficit. In the year 1959, they had a loss of \$43,000.

Mr. DRYSDALE: Up until when?

Mr. CROMWELL: Up until July 31, 1959. As of July 31, 1960, the loss was \$93,000, and this was under the railway operations alone.

Mr. BOURQUE: Mr. Chairman, I would just like to say that I think the Dominion Coal Company should be commended for taking care of these men and paying this sum of money to them, when they are not even obligated to pay them. They have done this just out of the goodness of their heart. These employees expected to get a pension; as of today they have no way of getting it, so they say that they are going to carry on and pay them.

Mr. CROMWELL: We intend to carry on our past policy.

Mr. BOURQUE: I think they should be commended for that. If many more companies did that, there would not be so much communism in Canada today. I would like to have my appreciation recorded for the action which they took. I think they should be commended for this.

Mr. MACINNIS: Mr. Chairman, I do not wish to let that statement go unchallenged. I am sure Mr. Cromwell will forgive me for saying that I do not see where the goodness of the company's heart should be taken into consideration. No matter what Mr. Bourque thinks, I think it is time they were getting that pension down in writing.

Mr. BOURQUE: But you could not ask them to guarantee to pay forever.

Mr. MACINNIS: I am just pointing that out.

Mr. BOURQUE: I do not wish to enter into any controversy but, according to what I have heard now, if the company is paying without its being taken to court, or anything else, I think they should be commended for doing so.

The CHAIRMAN: Gentlemen, would you please address the Chair.

Mr. MACINNIS: If I may say so, Mr. Chairman, these remarks are out of order, in any case.

Mr. RYNARD: I was wondering what the pensions are that are set aside now for the Sydney and Louisburg section? In other words, what do the fellows who are retired off of that section get?

Mr. CROMWELL: Perhaps Mr. Pursey should answer that question.

Mr. PURSEY: At the present time, sir, there are 91 pensioners of the Sydney-Louisburg Railway; the annual pension cost is approximately \$62,000.

Mr. RYNARD: What would that be a month? My mathematics are rather slow.

Mr. PURSEY: Roughly between \$55 and \$60 a month, but that is just a mental calculation.

Mr. RYNARD: Then that would be the pension you propose to put the other men on?

Mr. PURSEY: Well, they get whatever their rights are under the pension policy. It depends on their years of service and the wages which they earned.

Mr. RYNARD: But both the pensioners from the Cumberland Railway company and the Sydney-Louisburg would be getting the same rate of pension?

Mr. PURSEY: It would be on the same basis. A man would get a different pension if he had put in a different number of years' service.

Mr. RYNARD: That is the point I wanted to make. This will not change your operating profit into a loss, then. You are assuming that DOSCO is now paying these other pensions?

Mr. PURSEY: We hope so. We cannot say what the future results will be. We hope it will not be converted into a loss.

Mr. RYNARD: As you have been operating, it will not, even with the loss on your Cumberland Railway, have shut off.

Mr. PURSEY: That will depend on which year you are looking at, sir. The Sydney and Louisburg did make a loss in the year ending July, 1959, and so that loss would have been greater if it had to stand the Cumberland pensions.

Mr. McGEE: Are these Cumberland pensions simply an undertaking at the present time on the part of the company, which might be terminated at someone's discretion in the future?

Mr. CROMWELL: It is a pension they pay. They have no obligation to pay it.

Mr. McGEE: They have none before you came to parliament, and they will have none after you leave.

Mr. CROMWELL: They will be in the same position whether we do this or not.

Mr. PITMAN: It is a point of interest that a company with 12 employees, operating at a loss, would take over a company with 353 employees operating on a profit. I would like to know something more about the Sydney and Louisburg. It says that the board of transport commissioners have exercised jurisdiction for many years. How many years?

Mr. CROMWELL: Since the inception of the company in 1910.

Mr. PITMAN: Well, I would like you to elaborate.

Mr. CROMWELL: As Mr. Merriam pointed out, the Cumberland Railway is a federal incorporated company, and the Sydney-Louisburg is provincial. Under section 6 of the Railway Act—and, by the way, both companies are owned by Dominion Coal Company—where a company operates one of its subsidiaries—which is Cumberland—the board has felt they have automatic jurisdiction which, in this case, is Sydney and Louisburg, which is provincial. At the moment of abandonment of the Cumberland, the Dominion Coal Company will no longer be operating a federal company but the Sydney and Louisburg, a provincial company, and the board's jurisdiction over that would cease, which would affect not only the pensions but the benefits under the Maritime Freight Rates Act. So, by Cumberland taking over the Sydney and Louisburg, automatically you have a federal revenue over which the board has jurisdiction.

Mr. DRYSDALE: Is that the only way it can be done, or is it sufficient they file their rates with the board of transport commissioners?

Mr. CROMWELL: No. It would have to be either declared for the general advantage of Canada, or be a federally owned, incorporated company.

Mr. DRYSDALE: Is that under the Railway Act?

Mr. CROMWELL: Yes.

Mr. BALDWIN: It is under the B.N.A. Act.

Mr. CROMWELL: Yes; I am sorry.

Mr. BALDWIN: If it is for the benefit of Canada.

Mr. CROMWELL: Yes, the B.N.A. Act, and it is declared by virtue of the powers under the Railway Act.

Mr. BALDWIN: Have you any idea what the benefits are that accrue to the company by reason of the Maritime Freight Rates Act?

Mr. CROMWELL: The company has received several millions of dollars. I could not give you the exact figure.

Mr. BALDWIN: I was wondering what the last year's receipts were.

Mr. MACINNIS: It would involve payments on coal subventions.

Mr. CROMWELL: That is different.

Mr. MACINNIS: It does take into consideration, though, the movements of coal in respect to the mines.

Mr. CROMWELL: It certainly takes into consideration the movement of coal, but it is not the same thing as the subvention paid for coal.

Mr. DRYSDALE: What is the figure that you would get by being under the board of transport commissioners, as opposed to its being a provincial railway?

Mr. CROMWELL: Perhaps Mr. Pursey should answer that question.

Mr. DRYSDALE: In the meantime, I wonder if I could ask, now, what the financial situation of the Sydney and Louisburg Railway is.

Mr. CROMWELL: They have made profits some years, and some years, losses. I would say they have made roughly \$100,000 a year net profit, generally speaking.

Mr. PURSEY: It fluctuates. They have averaged over the last three years, \$100,000; however, they made a loss in 1959, a profit in 1960, and to date this year they are making a loss. However, this probably will get better as the year goes on.

Mr. RYNARD: Mr. Chairman, I do not know whether or not I got this clear, but in the answer that was made to Frank McGee, I think you said that there was no guarantee of the present pensions to your Cumberland men, and there still will be no guarantee if this bill goes through.

Mr. CROMWELL: That is right.

Mr. RYNARD: When you say here that the merger would provide the Cumberland Railway and Coal Company with a source of revenue to enable it to continue its past practice of paying pensions to these retired men, surely there is a direct implication you are going to pay?

Mr. CROMWELL: We intend to carry on our policy, but this is not the funded policy.

Mr. RYNARD: What I am coming to is this: Would you be setting up any definite plan which would guarantee these pensions?

Mr. CROMWELL: I would say at this time that we have not, to my knowledge, in any way discussed anything that would change the policy that we carry on now.

Mr. RYNARD: You just implied you will.

Mr. CROMWELL: Yes. The whole purpose of this bill—or the main purpose of it—is to get it into the jurisdiction of the federal board of transport commissioners.

Mr. RYNARD: Will the board of transport commissioners see that these pensions are paid?

Mr. CROMWELL: They have nothing to do with pensions.

Mr. RYNARD: Even if you come under them?

Mr. CROMWELL: No.

Mr. MACINNIS: These pensions also apply to all miners and employees of the Dominion Coal Company, and it is strictly on a non-funded basis and at the discretion of the company, whether or not it is carried on. The purpose of

this bill is mainly to give the men further protection, in the carrying on of these pensions.

Mr. McGEE: If I was an employer of a pensioner in that company, having seen this wording pass the Government of Canada, this would improve my position as far as the continuation of that pension is concerned.

Mr. CROMWELL: Will you please take note of the footnote, there? I cannot take any implication that the company is going to guarantee the payment of any payments. What we say is that if the bill is passed, and Cumberland takes over the S. and L., the railway will then be provided with sufficient funds to continue its policy. This, however, does not mean the company guarantees the pensions but it has always paid them in the past.

Mr. DRYSDALE: Have you got the figures I requested a moment ago?

Mr. PURSEY: I do not have the exact figures. Very roughly, I would say the Maritime Freight Rates Act gives a revenue of \$750,000 a year as a contribution, but I cannot give the exact figure.

Mr. DRYSDALE: So we can conclude logically that if this bill is passed there will be a continuation of that \$750,000, and if it is not then you would come under provincial legislation?

Mr. CROMWELL: And we would lose that revenue.

Mr. DRYSDALE: Then there would be quite a strong incentive for it to carry on with the pension payments.

Mr. ROGERS: Do the employees contribute to this pension fund?

Mr. CROMWELL: No, they do not contribute at all. It is paid by the company.

Mr. ROGERS: Is there any dislocation of personnel?

Mr. CROMWELL: Only in the Cumberland. There has been no change whatsoever in the S. and L. A lot of the men on the Cumberland railway have reached the pension age.

Mr. ROGERS: How many this affect?

Mr. CROMWELL: There are 12 employees all together.

Mr. BOURQUE: How many?

Mr. CROMWELL: Only 12, on the Cumberland railway.

Mr. BOURQUE: And you have 200 pensioners?

Mr. CROMWELL: They are pensioners of the Cumberland railway, but at that time it was operating a gold mine too.

Mr. McGEE: My only objection to the phrase in the explanatory notes is the implication that the sole reason for passing this bill is to enable the company to continue its past practice of paying pensions to its retired employees.

Mr. CROMWELL: That is one of the reasons, but I think the main reason is to keep the company under the jurisdiction of the board of transport commissioners.

Mr. McGEE: I would agree, but you put this forward as a reason why we should approve the bill. A number of us have asked the question: "does this mean any guarantee to pension rights"? And you say: "no". I ask myself the question: "why is this in here as a reason?"

Mr. CROMWELL: So far as I know, the company would certainly carry on its past policy.

Mr. PURSEY: Perhaps I can clear up the point. This pension plan has been in existence since 1923 and it applies, as Mr. MacInnis has said, to our coal mining company and our railway operations. Irrespective of operating losses in some years and profits in other years, the policy of paying these pensions has been adhered to, but the Cumberland railway, with the abandonment of both the mining and railway operations, will have no revenue at all. We are faced with the position of having a policy of paying pensions with no revenues coming into the Cumberland railway company. What we are doing here is amalgamating two companies to produce revenues.

When we say that we cannot give a guarantee of future pensions, I would point out this is a pension plan which is not funded. There is no money in the bank. There are no contributions by employees, but it is a practice of the company. Looking ahead, we do not know whether there will be revenues or not in the future, but we have followed the practice of paying these pensions since 1923. What we are doing with the Cumberland railway through amalgamation is to give it revenues in the hope it will be able to continue the practice it has followed for a great many years. However, we cannot guarantee these pensions as there has been no money set aside for them.

Mr. DRYSDALE: By having this bill passed you indicate that under the Maritime Freight Rates Act you would be getting \$750,000 which you would not otherwise be getting, and you are only paying out pensions of \$200,000. That looks pretty good.

Mr. PURSEY: There is a misunderstanding about that. The railway has been getting this \$750,000 under the Maritime Freight Rates Act.

Mr. DRYSDALE: But you will not get it if you abandon the Cumberland railway.

Mr. PURSEY: There is no question of the \$750,000 being paid under the Maritime Freight Rates Act for pensions only. However, if the company were to lose that \$750,000, which I say is a very approximate figure, it would obviously be in very serious trouble.

Mr. BALDWIN: Following that up, would it not make it inevitable for the company to negotiate a funded plan for its employees? Having in mind you will lose this \$750,000 which, of course, under the Maritime Freight Rates Act is an excellent thing, that would be an incentive to put your pension plan on a sound basis?

Mr. CROMWELL: I think your query is beyond the scope of the bill. Any pension plan that would have to be negotiated would have to be taken up between the employees and the company, and I do not think the board of transport commissioners, in the money they grant under the Maritime Freight Rates Act, would take into consideration it would have to be used for a pension plan.

Mr. BALDWIN: I can understand that, but I shall put it in reverse. If the monies provided under the Maritime Freight Rates Act were cut off, then more than likely the company would be in a position where the abandonment of pensions might have to be determined?

Mr. CROMWELL: I think this is a matter of policy. The board of directors would have to decide whether the company could cut off pensions or not. I am quite sure, so far as I can see now, the company intends to carry on its policy, but I cannot speak for the board of directors on policy.

Mr. BALDWIN: But if the money provided under the Maritime Freight Rates Act was cut off, this would be a very important item which would have to be taken into consideration?

Mr. CROMWELL: Yes, but as I have said, a funded pension plan would have to be a matter of negotiation between the employees and the company, the same as takes place in any pension plan.

Mr. CAMPBELL (*Stormont*): If it were advantageous to the employees I do not think there would be any hesitation on their part in seeking a constructive agreement which would be in their own interests.

Mr. BOURQUE: If I understand it rightly, the Dominion Coal Company has been paying these pensions since 1923.

Mr. CROMWELL: That is right.

Mr. BOURQUE: Voluntarily?

Mr. CROMWELL: Voluntarily.

Mr. BOURQUE: You could not very well guarantee these pensions to 200 pensioners when you have another 1,200 employees who are not guaranteed the right to pension?

Mr. CROMWELL: I agree.

Mr. BOURQUE: You cannot guarantee continuance of pension to these 200 pensioners because you would have to guarantee pensions to all the employees of Dominion Coal at the moment, and if they decided through their unions to negotiate a pension plan, when that plan would come into effect these old pensioners could not be included in it because they had not contributed to the fund.

Mr. CAMPBELL (*Stormont*): How about incorporation under the act?

Mr. BOURQUE: It will be incorporated. The explanatory notes state:

The merger would also provide the Cumberland Railway and Coal Company with a source of revenue to enable it to continue its past practice of paying pensions to its retired employees.

Mr. CROMWELL: I should say we would like to continue this, but we are not going to give any guarantees.

Mr. BOURQUE: You cannot give a guarantee when you have 2,000 others, to whom you cannot give a guarantee.

Mr. CROMWELL: As I say, the pensions have been paid since 1923.

Mr. MACINNIS: Is it not a fact this was strictly voluntary on the part of the company and that the source of the finance for this pension plan is derived mostly from the mining operations? Were the miners under the very same classification?

Mr. CROMWELL: That is right.

Mr. MACINNIS: So far as the pensioners are concerned, they are the same as the mine employees?

Mr. CROMWELL: That is right.

Mr. MACINNIS: In any action with respect to a funded plan or re-negotiated plan it is the responsibility of the unions and the company to get together?

Mr. CROMWELL: Yes. As I indicated, the company has this question under study and has been discussing it with union officials in order to bring about a contributory plan.

Mr. MACINNIS: And the members here have brought forcefully to the attention of both the company and the unions ever reason why such a plan should be brought into operation.

Mr. CROMWELL: That, as I say, is a matter to be negotiated between the employees and the company.

The CHAIRMAN: Are there any further questions?

Mr. DRYSDALE: Is the S. and L. an integral part of the coal operations?

Mr. CROMWELL: It is wholly owned by the Dominion Coal Company.

Mr. DRYSDALE: I know it is owned by the Dominion Coal Company, but is it an integral part of its functions?

Mr. CROMWELL: It hauls the coal from various mines to the points of shipment.

Mr. DRYSDALE: In other words, taking the operations as a whole, it is immaterial whether it makes a profit or a loss. You would have to keep the line going anyway?

Mr. CROMWELL: We need the line, unless we do the transportation by truck.

Mr. DRYSDALE: If you did that you would not get the benefit of the Maritime Freight Rates Act?

Mr. CROMWELL: No.

Mr. PITMAN: Are there many passengers carried on this line?

Mr. CROMWELL: No.

Mr. PITMAN: If Louisburg were built up, there might be an increase in passenger traffic?

Mr. CROMWELL: I doubt it.

Mr. PITMAN: Why?

Mr. CROMWELL: Because passenger traffic is in the same situation right across Canada. The passenger business is losing money all the time.

Mr. PITMAN: Has the company made any study to decide whether there would be a possibility of increasing it?

Mr. CROMWELL: Not to my knowledge.

Mr. CAMPBELL (*Stormont*): There is not much hope of putting a passenger service on it because the railway-connected towns are quite closely associated with each other.

Mr. CROMWELL: I think revenue from the passenger business on the Cumberland last year was 89 cents.

Mr. CAMPBELL (*Stormont*): You do not appraise hauling by truck as an economic method?

Mr. CROMWELL: This I could not say.

Mr. DRYSDALE: Regarding this \$750,000 which you get under the Maritime Freight Rates Act, is there a recommendation for an increase of that in the MacPherson commission report?

Mr. CROMWELL: I have not seen the report of the MacPherson commission.

Mr. BALDWIN: Possibly this is an academic question, but why have you included clause 3 which contains the declaration as to the works being for the general advantage of Canada. Is there any practical purpose behind that?

Mr. CROMWELL: Actually that is put in to cover the time between the abandonment of the railway and the time when Cumberland takes over the S. and L. There might be a period of a few months during which the board of transport commissioners would have no jurisdiction. That is why we put in the declaration regarding the general advantage of Canada.

Mr. BALDWIN: Irrespective of whether there was a merger or not, the board of transport commissioners has jurisdiction, and you automatically become entitled?

Mr. CROMWELL: But in the interim Cumberland would not be in the picture at all and would have no revenues whatsoever.

Mr. DRYSDALE: Why not reverse the process and have the S. and L. take over Cumberland?

Mr. CROMWELL: Because it has not the powers under its charter to take over the Cumberland. There is also the fact that one company is incorporated federally and the other is a provincial company.

Mr. DRYSDALE: Would not the merger automatically bring you under federal jurisdiction?

Mr. CROMWELL: As I have pointed out, there may be a period of time in between, when the board of transport commissioners would have no jurisdiction, and that is why clause 3 is included.

The CHAIRMAN: Are there any further questions?

We have with us today Mr. W. G. McGregor, Canadian legislative representative and chief agent of the brotherhood of railroad trainmen. Do you wish to address the committee, Mr. McGregor?

Mr. W. G. MCGREGOR (*Canadian Legislative Representative and Chief Agent, Brotherhood of Railroad Trainmen*): No, Mr. Chairman. I was here on behalf of some 75 men employed on the railway operations of the S. and L., to see what effect this bill might have on the employees. I think the questions have clarified everything in my mind and I have nothing to place before this committee. Thank you, Mr. Chairman.

The CHAIRMAN: Thank you.

Clauses 1 to 5 inclusive agreed to.

Preamble agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Agreed.

The CHAIRMAN: We will adjourn until the call of the chair.

HOUSE OF COMMONS
Fourth Session—Twenty-fourth Parliament
1960-61

STANDING COMMITTEE
ON
**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: W. MARVIN HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

THURSDAY, SEPTEMBER 21, 1961

Respecting

Bill C-126, An Act respecting the Construction of a Line of Railway in the Province of Alberta and in the Northwest Territories by Canadian National Railway Company from a point at or near Grimshaw, in the province of Alberta, in a northerly direction to Great Slave Lake, in the Northwest Territories.

WITNESSES:

The Honourable Léon Balcer, Minister of Transport, and Mr. George A. Scott, Assistant Deputy Minister. *From Canadian National Railway Company:* Mr. D. F. Purves, Chief of Development, and Mr. J. W. G. MacDougall, Q.C., General Solicitor.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1961

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: W. Marvin Howe, Esq.

and Messrs.

Allmark	Dumas	McPhillips
Badanai	Fisher	Monteith (<i>Verdun</i>)
Baldwin	Fournier	Nugent
Bell (<i>Saint John-Albert</i>)	Granger	Paul
Benidickson	Grills	Pascoe
Bourbonnais	Johnson	Payne
Bourget	Keays	Phillips
Bourque	Kennedy	Pigeon
Brassard (<i>Chicoutimi</i>)	LaMarsh (<i>Miss</i>)	Pitman
Brassard (<i>Lapointe</i>)	Lessard	Rapp
Browne (<i>Vancouver-Kingsway</i>)	MacInnis	Rogers
Bruchesi	MacLean (<i>Winnipeg North Centre</i>)	Rynard
Cadieu	Martin (<i>Essex East</i>)	Smith (<i>Lincoln</i>)
Campbell (<i>Stormont</i>)	Martini	Smith (<i>Simcoe North</i>)
Campeau	McBain	Smith (<i>Calgary South</i>)
Chevrier	McDonald	Speakman
Creaghan	McFarlane	Thompson
Crouse	McGee	Tucker
Denis	McGregor	Valade
Drysdale		Wratten—60.

Antoine Chassé,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, September 19, 1961.

Ordered,—That the names of Messrs. Smith (*Calgary South*), Paul, Nugent, and Benidickson be substituted for those of Messrs. Horner (*Acadia*), Asselin, Woolliams, and Garland respectively on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

TENTH REPORT

Your Committee has considered Bill C-126, an act respecting the construction of a line of railway in the province of Alberta and in the Northwest Territories by Canadian National Railway Company from a point at or near Grimshaw, in the province of Alberta, in a northerly direction to Great Slave lake, in the Northwest Territories, and has agreed to report it without amendment.

A copy of the Minutes of Proceedings and Evidence relating to the said bill is appended hereto.

Respectfully submitted,

J. RUSSELL KEAYS,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, September 21, 1961.

(13)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 a.m. this day for the purpose of considering Bill C-126.

Members present: Messrs. Baldwin, Bell (*Saint John-Albert*), Browne (*Vancouver-Kingsway*), Cadieu, Chevrier, Crouse, Drysdale, Dumas, Granger, Keays, Kennedy, Lessard, McFarlane, McPhillips, Pascoe, Payne, Rogers, Rynard, Smith (*Calgary South*), Speakman and Tucker.—21.

In attendance: The Honourable Léon Balcer, Minister of Transport; Mr. George A. Scott, Assistant Deputy Minister; and Mr. Jacques Fortier, Counsel. *From Canadian National Railway Company:* Mr. D. F. Purves, Chief of Development; Mr. J. W. G. MacDougall, Q.C., General Solicitor; and Mr. Walter Smith, Ottawa Executive Representative.

On motion of Mr. Baldwin, seconded by Mr. Drysdale, Mr. Keays was elected Acting Chairman.

The Committee's Order of Reference was read.

On motion of Mr. Payne, seconded by Mr. Browne (*Vancouver-Kingsway*), *Resolved*,—That, pursuant to its Order of Reference of February 6, 1961, the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence relating to Bill C-126.

Mr. Balcer was introduced and made a preliminary statement concerning the Bill, following which he introduced Messrs. Scott, Purves, MacDougall and Fortier.

The Minister read into the record letters from Mr. Donald Gordon, President of the C.N.R., Mr. W. S. Kirkpatrick, President of The Consolidated Mining and Smelting Company of Canada Limited, and Mr. C. H. B. Frere, Director, Pine Point Mines Limited, dated September 18th, September 15th and September 18th, respectively.

Mr. Balcer tabled a draft agreement between the Federal Government, the Canadian National Railway Company, Pine Point Mines Limited and The Consolidated Mining and Smelting Company of Canada Limited, copies of which were distributed to Members.

The Minister, assisted by Messrs. Scott, Purves and MacDougall, answered questions concerning the route of the proposed railway line, its cost, freight rates, and possible future competition.

Agreed: That detailed information concerning the estimated cost per mile set forth in the schedule to the Bill be included in the printed record of this days proceedings.

Clauses 1 to 9 inclusive, the Schedule, the Title and the Bill were adopted and the Chairman ordered to report the Bill without amendment.

At 11.00 a.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor,
Acting Clerk of the Committee.

EVIDENCE

THURSDAY, September 21, 1961

THE CLERK OF THE COMMITTEE: Gentlemen, we now have a quorum. Your first item of business this morning, is the election of an acting chairman in the absence of your regular chairman.

Mr. SPEAKMAN: I nominate Mr. Baldwin.

Mr. BALDWIN: Thank you very much, but I would like to decline the honour because I have an interest in this matter and I would like to participate. Might I nominate Mr. Keays?

Mr. DRYSDALE: I second the motion.

THE CLERK OF THE COMMITTEE: If there are no further nominations, I declare nominations closed and Mr. Keays elected.

(Mr. Keays then took the chair as acting chairman of the committee).

The ACTING CHAIRMAN (*Mr. Keays*): Thank you very much, gentlemen, for the honour of chairing this meeting in the absence of your chairman and vice-chairman, who are on duty elsewhere at the United Nations.

I shall now ask the meeting to come to order and call upon the Clerk to read the order of reference for this meeting.

THE CLERK OF THE COMMITTEE:

Monday, September 18, 1961. Ordered—That Bill C-126, an act respecting the construction of a line of railway in the province of Alberta and in the Northwest Territories by Canadian National Railway Company from a point at or near Grimshaw, in the province of Alberta, in a northerly direction to Great Slave lake, in the Northwest Territories, be referred to the standing committee on Railways, Canals and Telegraph Lines.

Attest.

Leon J. Raymond, Clerk of the House.

The ACTING CHAIRMAN: I would now like to have a motion as to the quantity of printing that has to be done for this meeting. It is usually 750 copies in English and 250 in French.

Mr. PAYNE: I so move.

Mr. MCFARLANE: I second the motion.

The ACTING CHAIRMAN: It has been moved by Mr. Payne and seconded by Mr. McFarlane.

Gentlemen, we have with us this morning the Minister of Transport who has piloted this bill through the house. I would ask the minister to introduce those who are with him this morning to offer explanations that may be required in connection with this bill. Mr. Balcer?

The HON. LEON BALCER (*Minister of Transport*): Thank you very much, Mr. Chairman. Before introducing the various representatives who are here to appear as witnesses and give information to the committee, I have a short statement to make.

It has been the policy of this government to develop northern Canada and to provide the transportation facilities required to help

bring this about. In line with this policy, we have initiated the programme of roads and resources. We have also expanded our transportation facilities. The railway line to Great Slave lake which is provided for in this bill is part of this programme to provide the transportation facilities required to open up and develop the Canadian north.

The question of the particular route which a line to the Great Slave lake area should take was the subject of some discussion and in view of the differences of opinion which emerged in this discussion a royal commission was appointed to examine into the matter and to report to the government. Following study of that report the government decided in favour of the so-called western route.

We thereupon arranged with the Canadian National Railways to make a detailed location survey of the western route. This survey work was started by the Canadian National at the turn of this year and it is expected the survey will be completed by the end of December 1961. However, being anxious to get ahead with making a start on this line we have deemed it advisable to not await for completion of the final survey in December and the preparation of detailed estimates of cost which would follow completion of the survey.

As indicated the building of this railway line is directed towards development generally of the resources of northern Canada. Among these resources are some large deposits of lead and zinc located in the vicinity of the south shore at Great Slave lake and the development of which the mining interests concerned have indicated they are prepared to proceed with at this time if a railway line were provided.

Further, the mining interests concerned have indicated they are prepared to make a contribution to capital costs of the new line, with the amount of this contribution related to the value per ton of the output and the volume of material shipped. Also, the mining company has indicated willingness to pay something higher than the normal level of freight rates on outbound concentrates which would ordinarily apply, in order to ensure the new line at least recovers operation and maintenance costs.

Inasmuch as most of the capital for building the new railway line will be provided by the government it is eminently fair and reasonable that the maximum possible net revenue on operating account produced by the new line should accrue to the government to assist in servicing the capital charges on the new line. This is best achieved by making the new line an integral part of the Canadian National Railways, and any surplus accruing on operating account on the new line thereby goes to reducing the Canadian National deficit.

The estimate of cost provided for in the bill is considered reasonably accurate based on the information available from the survey work done thus far. There is also provision in the bill for some flexibility in this regard. It would be our hope that the bill would be adequate to meet the capital cost of the new railway line, but if not, the government will take the necessary action after the final location survey is complete and final detailed estimates prepared.

With the evident need for this railway line to open up and develop this part of Northern Canada, and the readiness of interests concerned to proceed with new resources development if the railway is provided, the government considers it in the national interest to go ahead now with construction of this development railway on the terms and conditions set out in this legislation.

We have with us Mr. D. F. Purves, of the Research Development Department of the Canadian National Railways, Mr. J. W. G. MacDougall, Q.C., of the Law Department of the Canadian National Railways, Mr. G. A. Scott, asst. Deputy Minister of Transport, and Mr. Jacques Fortier, of the Legal Division of the Department of Transport. These gentlemen, are here to answer questions that any member of the committee might care to ask.

THE ACTING CHAIRMAN: Thank you very much.

Mr. CHEVRIER: Might I ask the minister a question or two? The minister said that this was going to be operated by the Canadian National Railways. Does it become Canadian National Railways from Grimshaw to Pine Point, or does it become government-owned and operated by the C.N.R.?

Mr. BALCER: It will form part of the Canadian National system.

Mr. CHEVRIER: Will the title be in the name of the government or in the name of the Canadian National Railways?

Mr. BALCER: It will be in the name of the Canadian National Railways.

Mr. CHEVRIER: Has the agreement between these parties been signed?

Mr. BALCER: No, Mr. Chairman. We have at the present time in our hands an agreement, that is, a draft of an agreement that has been examined, I might say, by the Canadian National Railways, and by Pine Point Mines Limited and Consolidated Mining and Smelting Company, as all three are related. But I might as well read the three letters which I have.

I shall first read the letter which I received from Mr. Donald Gordon, President of the Canadian National Railways.

Mr. CHEVRIER: Might I ask the date of the letter?

Mr. BALCER: The date of the letter is September 18, 1961, and it reads as follows:

Dear Mr. Balcer:

Since writing to you on August 31 we have concluded our negotiations with Canadian Pacific in respect to the routing of traffic from Pine Point Mines through Edmonton to Tadanac, B.C., and to the B.C. west coast ports. We have also finalized our agreement on the division of the through rate and Canadian Pacific has agreed to maintain the rates to be set out in our agreement with Pine Point Mines for the period specified in that agreement.

Under these circumstances I enclose herewith copies of the draft agreement which is in a form satisfactory to Canadian National and would advise that, if legislation in the form which has already been discussed with us is passed under which such an agreement could be signed by Her Majesty; the Consolidated Mining and Smelting Company of Canada Limited; Pine Point Mines Limited and Canadian National Railway Company, I am prepared to recommend to my Board of Directors that Canadian National execute the agreement.

I understand that you will be receiving similar advice from both Consolidated and Pine Point and it is our hope that this will now enable the necessary legislative steps to be taken to finalize this matter.

Yours sincerely,

D. Gordon.

I have received a letter dated September 15, 1961, from Mr. Kirkpatrick, the President of The Consolidated Mining and Smelting Company of Canada Limited, which reads as follows:

Dear Mr. Balcer:

I understand that the Canadian National Railway Company has sent you the proposed agreement to be entered into by Her Majesty the Queen in Right of Canada, as represented by the Minister of Transport, the railway company, Pine Point Mines Limited and my company, in connection with the railway line from Grimshaw, Alberta, to Pine Point Mine, in the form enclosed.

This will confirm that, if legislation is passed in a form which permits the agreement, as worded, to be entered into on behalf of Her Majesty the Queen and by the railway company, my company is prepared to execute the agreement.

Yours sincerely,

W. S. Kirkpatrick (Signed)

If I may, I would like to read a letter dated September 18, 1961, from Mr. Frere, Director of Pine Point Mines Limited. This letter is addressed to me, and reads as follows:

Dear Mr. Balcer:

I am informed that Canadian National Railway Company has sent to you the proposed agreement to be entered into by Her Majesty the Queen in right of Canada, as represented by the Minister of Transport; the Canadian National Railway Company; Pine Point Mines Limited and The Consolidated Mining and Smelting Company of Canada Limited in connection with the railway line from Grimshaw, Alberta to the Pine Point Mine.

I have been authorized by the president of Pine Point Mines Limited to confirm that, if legislation is passed in a form which permits the agreement, as worded, to be entered into on behalf of Her Majesty the Queen and by the Railway Company, Pine Point Mines Limited is prepared to execute the agreement.

Yours very truly,

C. H. B. Frere,

Director, Pine Point Mines Limited.

So we have at the present time this draft agreement. This draft agreement has to go through one last review by the legal officers of the Department of Justice. However, I am informed that this review will be undertaken only in so far as legal terminology is concerned to see that everything is in order.

I think the committee will appreciate that before the government takes final action on this draft it will be distributed to the committee. We would welcome any suggestions that might be made which, in the eyes of the committee, could be advantageous for either the Government of Canada or the C.N.R.

Mr. CHEVRIER: What is the government's view on the agreement? Have they approved it?

Mr. BALCER: Yes; the government has accepted this draft agreement in principle. I think I can speak in the name of the government and say that we approve of this draft, and it remains only for the legal officers of the Department of Justice to go through it to see that the legal wording and everything is perfect. However, we quite agree with the principle of the agreement as expressed in this draft.

Mr. CHEVRIER: Could I ask why it has taken so long to bring about the agreement? Was it a difficult agreement to negotiate?

Mr. BALCER: It was quite difficult. As you know, this is a major undertaking, and all parties had a very important interest in it. It necessitated numerous discussions, which involved a great deal of time. As you will note, this is quite a long agreement. It is a twenty-page document. That is the only actual reason. But, to repeat myself, it was a very important agreement—a major one.

Mr. BALDWIN: Would I be correct in saying the agreement, in effect, does put into legal form the general principles with which the minister dealt and gave to the House of Commons in committee on Monday, September 8, which is set out at page 8504 of Hansard?

You will recall that in response to a question, or during the course of your opening remarks on second reading of this bill, you gave the details of this agreement and referred specifically to what are the five major points—

Mr. BALCER: Yes.

Mr. BALDWIN: —of the agreement in question, which you say now is a draft agreement and is one which, in legal form, contains these five principles which are referred to by you in your speech in the House of Commons.

Mr. BALCER: That is right, and, in our opinion, it meets the requirements of section 6 of the bill.

The CHAIRMAN: Shall clause 1 carry?

Mr. CHEVRIER: Mr. Chairman, will we receive copies of the agreement?

Mr. BALCER: Yes, you will.

Mr. CHEVRIER: Are we not going to hear from the officers of the C.N.R.?

Mr. BALCER: Yes. They are here at the present time.

Mr. DRYSDALE: While copies of this agreement are being distributed, at page 8504 of Hansard, where it sets up the points referred to, it says under point (3) that the mining company has to pay a rate of \$7.75 per ton on all ores or concentrates shipped up to 215,000 tons annually for the first ten years of operation. How is this rate arrived at?

Mr. BALCER: This explanation will be found in table I of schedule A of this agreement.

Mr. BALDWIN: Mr. Chairman, I have a supplementary question. I assume that this \$7.75 is the per ton rate on the new construction.

Mr. BALCER: It is strictly from Grimshaw to Pine Point.

Mr. BALDWIN: Yes, and I assume this would give the answer to one of the questions Mr. Chevrier asked. In working out this agreement you had to take into consideration the 400-odd miles of the new construction and the 300 miles from Grimshaw to Edmonton still operated by the N.A.R., which is equally operated by the C.N.R. and C.P.R.; and, the traffic having arrived at Edmonton, you have to work out the agreement between the C.P.R. and C.N.R. as to the handling of traffic from there on. This would involve some considerable discussion and negotiation.

Mr. BALCER: Yes.

Mr. CHEVRIER: To follow that up, how is the traffic going to be divided? From Pine Point to Grimshaw it is by the new railway, and from Grimshaw down to Edmonton over the N.A.R. it is divided equally.

Mr. BALCER: Yes.

Mr. CHEVRIER: How does it proceed from Edmonton down to Trail where the smelter is?

Mr. BALCER: From Edmonton to Calgary it would be C.N.R., and from Calgary to Tadanac or Trail it would be by C.P.R.

Mr. CHEVRIER: And that is contained in the agreement?

Mr. BALCER: Yes.

Mr. CHEVRIER: How much of the whole route from Edmonton to the mine does that give the C.N.R. as compared to the C.P.R.? What is the proportion?

Mr. BALCER: It will be C.N.R. for 438 miles, from Pine Point to Grimshaw, and then it will be N.A.R. from Grimshaw to Edmonton.

Mr. CHEVRIER: It will be Canadian National Railways from Edmonton to Calgary?

Mr. BALCER: Yes.

Mr. CHEVRIER: What is the distance from Calgary to the mine?

Mr. BALDWIN: The distance from Calgary to the mine would be made up of the distances between Edmonton to Calgary, which is 200 miles, Edmonton to Grimshaw, which is something over 300 miles and—

Mr. CHEVRIER: I was referring to the distance from Calgary to the mine.

Mr. SPEAKMAN: It will be a little over 400 miles to the mine.

Mr. CHEVRIER: I am sorry, I did not frame my question properly. What is the distance from Calgary to the smelter?

Mr. BALCER: I have the answer to that question, Mr. Chevrier. From Calgary to Tadanac will be 460 miles, from Calgary to Edmonton on the Canadian National Railways line it is 233 miles, from Edmonton to Grimshaw on the Northern Alberta Railway it is 325 miles, and from Grimshaw to Pine Point it is 438 miles, which would be exclusively Canadian National Railways line.

Mr. BALDWIN: Would I be right in assuming that the per ton mile rate from Pine Point to Grimshaw would be somewhere between one and a half and two cents, or has that rate been calculated?

Mr. BALCER: From where?

Mr. BALDWIN: From Pine Point to Grimshaw.

Mr. BALCER: That rate will be one and a half cents to two cents a ton mile, I am informed.

Mr. DRYSDALE: Mr. Chairman, I am sorry to return to the question I asked in respect of this \$7.75 per ton figure, but it has been rather difficult in the space of about two minutes to absorb all the information contained in the agreement which you said took quite a few years to assemble.

Mr. CHEVRIER: Are you not assuming quite a lot in saying it took quite a few years to assemble?

Mr. DRYSDALE: Perhaps. I was wondering if you could perhaps explain how this \$7.75 per ton rate was reached, and whether you have any other comparable figures in respect to rates in Canada, in order to give us some idea as to how this rate compares, because at this point we are not aware as to whether it is high, low or medium?

Mr. BALCER: Mr. Chairman, I wonder whether it would be satisfactory if Mr. Purves give an answer to that question in view of the fact that it is a highly technical one?

The ACTING CHAIRMAN: Yes, that would be all right.

Mr. D. F. PURVES (*chief of Development, Canadian National Railway*): Mr. Chairman, what we tried to do in this regard was to set a charge which was realistic. It was agreed that the normal level in respect of freight rates on a related per mile basis applying elsewhere in Canada applied to this project would fall far short of meeting the operating and maintenance costs on the new line.

Mr. DRYSDALE: When you refer to the normal level of freight rates are you including agreed charges?

Mr. PURVES: This freight rate would apply to concentrates on a mileage basis. There is very little other freight. This rate has been compared to the normal scale of freight rates on concentrates moved elsewhere in Canada. If you applied that rate in this case the traffic would not meet the operating and maintenance costs for handling concentrates on the new line, the reason being that there are too few tons of concentrate. That is to say, the level of tonnage is too low at the normal scale to maintain and operate that new line. It was, therefore, agreed that we should try to work out what the charge would have to be in order to break even. This was done by the officials of the Canadian Pacific Railway and our own officials. We came to a very close agreement as to what the actual operating and maintenance costs of the new line might be expected to be and thus arrived at the figure of \$7.75.

Mr. DRYSDALE: You have now explained the background upon which you arrived at this rate. Could you now relate that to the normal rate?

Mr. PURVES: The normal rate is shown in column 1.

Mr. CHEVRIER: Mr. Chairman, I do not wish to interrupt my friend but while we have this witness before us I feel we should have a statement from him in respect of the economics of the railroad, and then questions such as my friend has asked could be answered. Perhaps we could proceed in that way.

The ACTING CHAIRMAN: Mr. Purves, perhaps you could answer Mr. Chevrier's question in respect of economics.

Mr. CHEVRIER: I remember the general area as a result of my experiences in the department, but perhaps we could have a short description of the area because much has happened since then.

Mr. SMITH (*Calgary South*): The area has changed.

Mr. CHEVRIER: I am glad to see that.

Mr. PURVES: The proposed line would commence at a station called Roma which is five or six miles east of Grimshaw and proceed roughly parallel to the Mackenzie highway to about eight miles short of Hay River, at which point the branch line to the Pine Point Mines would begin. That branch line is about 53 miles in length. Here at Peace river there is quite a heavy grade, about 2.2 per cent rising to a summit near Roma lake. From that point on Hay River it is possible to get a very favourable grade. There is surprisingly little rock work to be done with a fair amount of forest cover to be cleared. Some of the steel bridges are fairly sizeable, the worst being at this point where—(Meikle river), we had to run a little distance up the valley.

Mr. CHEVRIER: How much of the railway parallels the highway?

Mr. PURVES: In some places the railway runs within a few miles of the highway while in other places it runs between fifteen and twenty miles from the highway.

Mr. CHEVRIER: Over what distance does the line run that far from the highway?

Mr. PURVES: It is pretty difficult to say over what distance it would run at that distance from the highway. We did not calculate the line in that way. The highway and the railway proceed in the same direction, starting

from about the same place and ending at about the same place, but they do take different routes. It is quite economical to build a highway with steep grades, but to do so in respect of a railway would not be economical.

Mr. BALDWIN: Perhaps I could interrupt Mr. Chevrier at this point. Would I be correct in saying that the highway and the railway run very close together to a point eight miles from Hay River; that they are separated by a distance of from fifteen miles to half a mile from Roma to this point eight miles south of Hay River where the railway branch to Pine Point commences?

Mr. PURVES: I think that would be a reasonable statement, although there is one point about here where the line strikes across country.

Mr. CHEVRIER: Could you give us the advantages of the western route over the eastern route, in the eyes of the C.N.R.?

Mr. PURVES: I think that was pretty thoroughly gone over during the hearings before the commission. I would not want to go into that at this stage.

Mr. BALCER: You could ask Mr. Baldwin.

Mr. BALDWIN: Maybe I could ask a few leading questions in order to give you the answers.

Mr. CHEVRIER: Could it be summed up? I understand it is a question of terrain and also bridges.

Mr. PURVES: I do not think the two routes were ever so completely surveyed as to arrive at a conclusion giving a list of offsets, advantages and disadvantages. I think the two were so close in many respects that I believe it is a matter of opinion.

Mr. CHEVRIER: May I ask an embarrassing question?

Mr. PURVES: I shall try to answer it.

Mr. CHEVRIER: How long ago did the C.N.R. recommend this western route? How far back was that?

Mr. PURVES: I do not recall our ever making a recommendation in favour of it. I think I have to go back to that.

Mr. BALDWIN: May I ask a supplementary question?

Mr. CHEVRIER: Did the C.N.R. recommend the western route in 1954, let us say?

Mr. PURVES: I do not know, sir.

Mr. BALDWIN: Is it not a fact, Mr. Purves, that at the hearings before the Manning commission a brief was presented by the N.A.R. and the C.N.R. solicitors and economic people, all of which generally recommended the eastern route?

Mr. PURVES: I think generally on balance, because it is a little closer to the Canadian shield, there might be a little more chance of further mineral development on the eastern route. The eastern route would not have a highway so close to the projected railway as is the case here. However, I would consider this a matter for government decision.

Mr. DRYSDALE: I wonder how does this cost of \$171,000 compare with areas on the prairies and other terrain?

Mr. PURVES: It is lower than some types of work and higher than some on the prairies. We have had construction which ran over \$200,000 and also construction which was as low as \$100,000.

Mr. DRYSDALE: What is the nature of most of the terrain over which the railway will be running?

Mr. PURVES: At one place there is some muskeg. There is a fair amount of muskeg between these two points, as shown on this map, but we have been able to pick the high ridges and avoid a great deal of it. The thing one must remember is that the trend of costs is constantly upwards and in comparing something which happened ten years ago with something which is going to happen three or four years from now, one has to keep that in mind. We have to allow some cushion for a gradual increase in price levels.

Mr. DRYSDALE: I notice the cushion you want is 15 per cent, and yet I understand in the agreements there is also the apparent contingency that the costs might increase—

Mr. PURVES: True.

Mr. DRYSDALE: —beyond \$75 million. Do you expect this as a result of the muskeg area? Have you had any experience of muskeg areas previously?

Mr. PURVES: Yes, a lot of experience.

Mr. DRYSDALE: What would be the cost per mile there?

Mr. PURVES: I think we should ask our engineering department that.

Mr. DRYSDALE: Does anyone know? Would it be above the \$200,000 figure?

Mr. PURVES: This thing varies so much that to give any figure might mean it could be taken out of context and not given accurately. We have had peat down in the southern part of British Columbia which would probably run more expensive than the muskeg up here.

Mr. DRYSDALE: What is the basis of your estimate of \$75 million, plus 15 per cent?

Mr. PURVES: The \$75 million took into consideration the known bridges and known over-all mileage. By putting a factor against that of so much a mile it came to approximately \$75 million, and we normally add 15 per cent contingency allowance to any engineering cost estimate.

Mr. DRYSDALE: Was that based on ground survey or aerial survey of the area?

Mr. PURVES: Ground survey.

Mr. DRYSDALE: And borings?

Mr. PURVES: At that time little was done in the way of borings. The boring work was being done a few weeks ago when I was out there.

Mr. CHEVRIER: I should like to ask a question. How do you arrive at this estimated cost?

Mr. PURVES: Major Charles, the engineer in charge of the survey—

Mr. CHEVRIER: Is he here?

Mr. PURVES: No, he is not. He is out on the line. He is the man in charge of the survey and he is probably the most experienced consultant we have. He has been directly in charge of the whole job since its inception. I discussed this with him two weeks ago and at that time he felt that the \$75 million was probably a reasonably accurate estimate on the basis of the data he had at that time.

Mr. CHEVRIER: What time was that? What year?

Mr. PURVES: That was in July.

Mr. CHEVRIER: Of 1961?

Mr. PURVES: Of 1961, and the last time I was talking to him was about two weeks ago.

Mr. CHEVRIER: Are you familiar with the former estimate made by the C.N.R.?

Mr. PURVES: I am not.

Mr. CHEVRIER: You know it was in the neighbourhood of \$50 million or \$55 million?

Mr. PURVES: I am told it was an estimate of that nature. The difficulty is that in a great many estimates made in very round figures some were no better than the reconnaissance figures.

Mr. CHEVRIER: Do you know when that estimate of \$50 million or \$55 million was made by the C.N.R.?

Mr. PURVES: No, I do not.

Mr. CHEVRIER: Did you look at the files to ascertain when it was made?

Mr. PURVES: I do not have the files with me, and to get details on which these round figures are based would be difficult.

Mr. BALDWIN: I have a question supplementary to that. Is it not correct that the first opportunity the C.N.R. had to prepare anything close to an estimate was following the preliminary reconnaissance made by Major Charles in 1957? I understand Major Charles went up to make a preliminary reconnaissance of both routes in 1957.

Mr. PURVES: I suggest both of these reconnaissances were merely preliminary reconnaissances and nothing else.

Mr. BALDWIN: I understand that, and Major Charles, giving testimony before the Manning commission, made certain that point was understood, and in giving evidence based on 1956 and 1957 figures he emphasized this was very preliminary and the cost might be in the neighbourhood of \$65 million at that time.

Mr. PURVES: That is right.

Mr. BALDWIN: And since that time there have been increases in the cost of steel and railway construction?

Mr. PURVES: Quite.

Mr. BALDWIN: And he has now had an opportunity to make an on-the-spot survey?

Mr. PURVES: He is on the line at the moment.

Mr. CHEVRIER: That would have been a good question to ask at the hearings connected with the national printing bureau. I should have liked that question to have been asked then.

Mr. DRYSDALE: Is that still a question with you, Mr. Chevrier?

Mr. CHEVRIER: Yes. Are we going to get information about the manner in which the freight rate has been fixed? That has already been entered into, but could we get further details? May I ask a question or two along that line, and address them to Mr. Purves?

The Acting CHAIRMAN: Certainly.

Mr. CHEVRIER: You have already explained something about the \$7.75 rate. Is that rate made by way of an agreement between the four parties, or is it simply made between the C.N.R. and C.P.R.?

Mr. PURVES: The basis of the whole freight rate, on which the whole thing is built, is what would be the normal rate that would apply, having in mind the type of commodity, lead, and zinc concentrates, the mileage, the point of origin and the point of destination. Now that rate has to be broken up into pieces to show the portions of the rate applicable to the new line to the N.A.R., Edmonton to Calgary and Calgary to Tadanac. It was obvious, when the portion applicable to the new line was examined, that it would not be enough to make the new line pay. It was then that we examined the question of what would be necessary in the way of a gross revenue applicable to

the new line to ensure that the new line would not carry this material at a deficit. It was decided that \$7.75 per ton of concentrates handled—assuming the level of traffic was 215,000 tons on the average—would enable the new line to just meet its operating and fixed maintenance expenditures.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I wonder if I could ask whether the per ton mile rate is greater over the new line than it is over the other portions?

Mr. PURVES: Correct.

Mr. CHEVRIER: Has this rate to be approved by the board of transport commissioners?

Mr. PURVES: We understand not.

Mr. DRYSDALE: Is it an agreed charge?

Mr. PURVES: When we come to work out the mechanics of it, the effect is an agreed charge.

Mr. CHEVRIER: Did you take into consideration the presence of the highway from Grimshaw to Pine Point in arriving at a competitive rate?

Mr. PURVES: The highway would not be competitive in moving this tonnage of lead and zinc concentrates.

Mr. CHEVRIER: Can you divide the return by way of capital on the line in so far as operating cost, maintenance of the line and capital cost is concerned?

Mr. PURVES: \$7.75 in itself represents something more than the normal level freight rates. The return is only on the operating and maintenance, and leaves nothing for servicing capital. I think the point the minister was making, was that anything over and above this which met operating and maintenance costs, would in effect go towards return on capital.

Mr. CHEVRIER: Have you made any estimate of the probable return for a period of, say, five years, as you have done on the other railways like the Sheraton-Lynn Lake line?

Mr. PURVES: We have.

Mr. CHEVRIER: What does it show?

Mr. PURVES: This would be pure estimate because we do not know enough about how much of the traffic now moving up to Great Slave lake would be diverted to the railways. A lot of it is general merchandise.

Mr. CHEVRIER: Are you talking about intermediate traffic now?

Mr. PURVES: No; it is through traffic over the line from Edmonton.

Mr. CHEVRIER: But none of this is going to move by truck.

Mr. PURVES: We have made an estimate on the concentrates movement, and we have 215,000 tons guaranteed to us. We have freight rates that are guaranteed to us.

Mr. CHEVRIER: What is the position of the concentrates over a period of five years?

Mr. PURVES: Concentrates at \$7.75 a ton and 215,000 tons level would give something like \$4,100,000 total freight charge, of which about a million and a half would be applicable to the new line.

Mr. BALDWIN: Is that per year?

Mr. PURVES: Yes.

Mr. CHEVRIER: What is the over-all picture? Is it a surplus or a deficit?

Mr. PURVES: It would produce an over-all surplus towards operating and maintenance.

Mr. CHEVRIER: Of how much?

Mr. PURVES: The concentrates are designed to just break even and meet the total fixed maintenance bill on the whole line. Any traffic over and above the southbound movement of concentrates has the fixed maintenance net because that has been charged against the concentrates movement.

Mr. CHEVRIER: The industrial development branch of N.A.R. prepared for you a statement projecting the financial position of the line over a period of five years. Is that what you are reading from now?

Mr. PURVES: These are my own figures.

Mr. CHEVRIER: Could we have a statement on the record as to what would be the projection over a period of five years in respect of the financial position? Is there any objection, Mr. Chairman, to filing this statement with the committee?

The ACTING CHAIRMAN: The minister will answer this question.

Mr. BALZER: I would like to point out to the committee that such information, while very interesting, discloses some information to the competitors of Canadian National Railways.

Mr. CHEVRIER: That is a good argument, Mr. Minister, when Canadian National Railways are really competing with Canadian Pacific Railways, but here they have made an agreement among themselves, and surely there can be no objection.

Mr. BALZER: They made an agreement with the mining companies, and so forth; but, as we see it, of the total mileage part of it is C.P.R. and part is N.A.R., which is a joint operation, and part is C.N.R. If C.N.R. discloses the projected figures it will cause embarrassment.

Mr. CHEVRIER: To whom?

Mr. BALZER: To C.N.R.

Mr. CHEVRIER: I do not want to dispute your contention, but C.N.R. owns one line, C.P.R. the other line and the two railways own the joint line. I cannot see how there would be any objection to the production of those figures.

Mr. PURVES: The trouble, sir, is that we have had some of the toughest kind of bargaining negotiations over this over many months, and it would help us a great deal if we did not have to disclose on the record to Canadian Pacific just what we estimate the financial position will be. We have made some guesses as to what their position will be; I think we know reasonably well our own position, but I do not want to assist them in making any guesses of their own.

There is also the question of negotiating divisions—that is the proportion of the total rate on which concentrates will be applicable to N.A.R., Edmonton-Calgary and Calgary onwards—which has been prolonged, and we have had a fair amount of difficulty in getting what we wanted. We feel we have come out with pretty satisfactory results, but we would like very much not to disclose the whole picture.

Mr. CHEVRIER: Is the Canadian National Railways interested only in recapturing the operation maintenance cost? The rest is the responsibility of the government, that is the \$75 million or \$86 million capital cost. Is that right?

Mr. PURVES: No, sir. We were also interested in getting as good a surplus as we could on the traffic over our existing lines and on operating account. It is this that makes me reluctant to disclose detailed information on the gross revenue or net revenue.

Mr. CHEVRIER: Could I get back to the statement which you have requested be not published. Could you give us, say, a round figure, in the five year projected period, as to the surplus that will come over the line annually?

Mr. PURVES: I think this would give the C.P.R. the answers. They know almost as well as we do what the inbound tonnage is likely to be. After all they did work with us, together, in 1958 on trying to develop an estimate of what the tonnage would be. I think they would only have to go back to that date to come up with some fairly shrewd estimates of what C.N.R. is probably getting in the way of surplus out of this project.

Mr. CHEVRIER: At any rate, I might put it in this way, that you do expect a surplus?

Mr. PURVES: Certainly, on operating account, and we are fairly well satisfied with what we see in prospect.

Mr. CHEVRIER: Could I ask you or the minister how you are going to finance the capital aspect of this? Is it going to be an item in the estimates, is it going to be a loan to the Canadian National Railways, or how is it going to be financed?

Mr. BALZER: I think the bill indicates that it will be by direct subsidy to the railway. It is in section 4.

Mr. CHEVRIER: Yes, but where will that appear? Will it appear in the accounts of the Canadian National Railways, or will it appear as a subsidy in the estimates of the Department of Transport?

Mr. BALZER: I would say it will be an item in the estimates of the Department of Transport.

Mr. CHEVRIER: Will this surplus over the first year, the second year or the third year show in the overall accounts of the Canadian National Railway as a surplus, if it is one, or as a deficit if it is one?

Mr. PURVES: No, sir, it will not. It is all part of the fabric of the earnings on the Calgary-Edmonton part of the operation, on the Hamilton-Edmonton part of the operation, and so on.

Mr. CHEVRIER: Will it appear in the accounts of the C.N.R.?

Mr. PURVES: It will not appear as an identifiable margin. It will work itself out in the final figure that will appear at the end of the year.

Mr. CHEVRIER: If, after the first year of operation—say in 1964, is it—we want to know what the position is, how many tons of ore have been moved, what has been the cost, what has been the financial result, where will we find it? Will we find it in the accounts of the Canadian National Railways' shipping operations, or in the accounts of the Department of Transport?

Mr. PURVES: This can be quite well made out. We have to keep records of the tonnage that has to be shipped for purposes of the extra freight charge, around \$3. I think there has to be a record of the tonnage shipped for government purposes and the capital cost contribution. But the main item of the traffic is this outbound ore and concentrates. We have a close figure and an exact one. As to the inbound tonnage, we will have for our own purposes a close figure of what we carry over that new line, other than concentrates. It is when you get off the new line and on to the existing line that it becomes more difficult to identify this traffic, to show the amount that is contributed to this new line. For instance, you may have such things as structural steel originating in Vancouver, Hamilton and Montreal. You have reagents originating in Trail. You can identify that stuff once it hits the new line, but it is not so easy to identify it back on the existing line.

Mr. BALDWIN: I would like to ask a few general questions on the subject matter which quite understandably Mr. Purves was reluctant to answer in

specifics. It is a fact, is it not, that your research has disclosed a considerable traffic which ends up in this particular area in the north—Grimshaw and the Great Slave lake area—part of which is local traffic from Edmonton and part of which is long-distance two-way traffic? For example, is it not a fact that the Department of Forestry have indicated that there is a potential in lumber of something over 100 million board feet per year in the area, and if that is so—I am not asking you to comment—that is mainly a long haul operation from the area north of Grimshaw to eastern Canada and the eastern United States. Therefore, you might have an incremental freight accruing to the C.N.R. from the point at which it originates to Grimshaw, and you also have an addition of the freight charges from Edmonton to the destination in the eastern part of this continent?

Mr. PURVES: That is quite correct, sir. One of the difficulties is that by reason of its very distance from those markets, of course the manufacturer of this lumber finds himself in a most competitive position, and it is going to be very much a question of the market, as to how much he can manage to sell in the market, if he is competing with people all the way.

Mr. BALDWIN: I realize that the Spokane rates will be applicable, and the man who now has to produce in the Keg River area, and pay, say, up to \$15 to have his lumber delivered at Grimshaw, may be in a very substantially better position to go into production on a far larger scale.

Mr. PURVES: He may be, or he may get a higher value product on the market that will stand a longer haul.

Mr. BALDWIN: So you would get the benefit of the local incremental rate on the new line, plus the additional car loads at Edmonton.

Mr. PURVES: The competition is very high and, by reason of the distance we have to haul, we have to quote a rate which will let us get into the market.

Mr. BALDWIN: The same applies to the seven or ten million tons of fish which is loaded on the Great Slave Lake per year which has an eastern continental destination. Therefore it will be of some material economic advantage to the fish companies on the Great Slave Lake to have the railway come in at Hay River.

Mr. PURVES: We do not know to what extent they will use the railway service yet. We are still trying to come up with conclusions on that. It is a question of the length of the haul involved to get it as far as Edmonton.

Mr. BALDWIN: Equally with regard to agriculture—I do not want to get into statutory rates or anything like that, or the subsidies—but dealing with such things as rapeseed, alfalfa, flax and mixed farming, there is a possibility, that with the marginal operation of a quarter of a million in the Keg River area, it might be a more efficient operation because of the construction of this railroad, which in turn could result in bringing back some more economic rate and more long distance haulage.

Mr. PURVES: I think the natural assumption is that as the community prospers, some of that prosperity will accrue to the transport company in the area.

Mr. BALDWIN: Therefore, I am assuming correctly that as the prosperity of these fishermen and of the farming and lumber people increases, there will be a longer back haul of manufactured products from certain centres in the central and eastern parts of the continent, into this area?

Mr. PURVES: I think that is a fair assumption.

Mr. BALDWIN: In addition, you will be able to let goods down at lower Hay River for transport to Yellowknife and the Northwest Territories—that is, long haul goods—at a somewhat cheaper rate than has been the case so far. At least, the people out there hope so.

Mr. PURVES: That has been the experience elsewhere.

Mr. BALDWIN: There is one other matter on which I should like to put a question. It is with regard to the long range future of lead and zinc. I assume you have made some inquiries into that?

Mr. PURVES: Yes, I have.

Mr. BALDWIN: I assume you have also inquired into the extent, so far as information is available to you, of the ore body at Pine Point, to make certain there is going to be a sufficiently long period over which this traffic will be available to you?

Mr. PURVES: I think our best guarantee of that is the size of the investment which the company is prepared to make.

Mr. BALDWIN: There is one more question. While the survey is not yet completed, am I not correct in suggesting that those people concerned with it have been rather agreeably surprised at the terrain which has been disclosed, and at the fact that there may be a much more favourable grade than was originally assumed?

Mr. PURVES: The survey has gone very well, and the ground in general is quite favourable.

Mr. BALDWIN: Has the government of Alberta yet indicated its willingness to carry out a promise it made to make available for the construction of this railway all rights of way and common lands in the province? May I remind you that was a promise made by the premier some years ago.

Mr. PURVES: I have not gone into that.

Mr. BALDWIN: That is for your information.

Mr. DRYSDALE: I would like to return to this \$7.75 per ton for a little while. I am sorry that I am labouring it with you, but it is not completely clear to me. I was wondering about this \$7.75 per ton. You said that particular rate was arrived at by the Canadian National and the Canadian Pacific to cover operating and maintenance costs. May I ask what would be the amount per ton covering your out-of-pocket expenses? Would that be the same thing? What would you consider out-of-pocket expenses?

Mr. PURVES: First I would like to correct an impression I may have given. This was arrived at by ourselves and corroborated by some data we have from the Canadian Pacific. It was not a joint study. Now, as regards what is out-of-pocket costs, that is out-of-pocket costs. Inasmuch as starting fresh with a new line of expenditure not yet made, you take your fixed maintenance as being out-of-pocket costs. It is our concern to see that the concentrate traffic produces gross revenue sufficient to recover not only operating transportation costs but also the new fixed maintenance costs on the line which was being taken on.

Mr. DRINSDALE: If they should go beyond the figure 215,000, what would be the rate, let us say, for 216,000?

Mr. PURVES: The rate goes back to column one.

Mr. DRYSDALE: You will tell me what it is, please.

Mr. PURVES: This is the rate. It drops. This column II falls away, and once they have hit the 215,000 ton level of shipment, then we have no excuse to insist upon more than the normal level of rates.

Mr. DRYSDALE: What is the average value of the ore or concentrate? I ask you that because the rate is dependent upon it, is it not?

Mr. PURVES: The average value now is somewhere between \$70 and \$80.

Mr. DRYSDALE: And this would drop to what figure?

Mr. PURVES: To 476 or let us say to 496.

Mr. DRYSDALE: Would these rates then be compensatory as far as the railway is concerned, covering your out-of-pocket expenses?

Mr. PURVES: Oh yes. We have recovered our fixed maintenance costs now, and all we have to recover is our operating transportation costs. These rates are compensatory.

Mr. DRYSDALE: If there were another company desirous of opening up a mine and shipping their concentrates over the railway, would they be given the same terms as have been given to Pine Point?

Mr. PURVES: We are bound not to give them more favourable terms.

Mr. DRYSDALE: Does that mean that they would be given the same terms?

Mr. PURVES: Not exactly.

Mr. J. W. G. MACDOUGALL, Q.C. (*General Solicitor for the Canadian National Railways*): Yes, I think generally that is correct. We might say comparable terms.

Mr. DRYSDALE: On the basis of using this 215,000 tons as a base, and then computing it from there?

Mr. PURVES: No; the 215,000 tons was the level which had to be used to provide the total maintenance bill for the railway. That is a reasonably firm figure.

Mr. DRYSDALE: All right; but to clarify it, suppose there is a new mine opened and they wish to ship concentrates. Would they have to pay the company \$7.75 per ton, or on the basis of these figures, let us say, 476 or 496, assuming that the concentrates were \$70 or \$80 per ton? You have said that this is, in essence, an agreed charge.

Mr. MACDOUGALL: May I correct that. I think—and I am correcting Mr. Purves in this respect—that it is our intention to file agreed charges in connection with the rates. Our intention is to file open rates with the Board of Transport Commissioners; that is to say, to file two rates, one for \$7.75, or the rate to apply from Pine Point to Grimshaw, and the other rate to apply to west coast point ports.

Mr. DRYSDALE: What is the significance of an open tariff rate, and of doing it that way rather than by means of an agreed charge?

Mr. MACDOUGALL: It could be done either way, but we did not feel there is any necessity for an agreed charge. We have come to this agreement just as we would come to an agreement with any interest on the matter of rates, and we would just publish them as open rates.

Mr. CHEVRIER: If it were an agreed charge you could not give the same rate, let us say, to another company that would be opening up along Great Slave Lake, for instance.

Mr. DRYSDALE: When you say on comparable or favourable terms, would that mean they would have to pay the \$7.75, assuming it was the same type of concentrate and was roughly of the same value per ton, or would they go into that \$4.76 or \$4.96 rate?

Mr. MACDOUGALL: One cannot give a yes or no answer to your question.

As Mr. Purves said, the \$7.75 rate is related to carrying only one company's traffic at 215,000. If, let us say, another company gave us 600,000, it would change the nature of the economics, and we would have to assess what the rate would be in order to put it at a proper level to cover our fixed maintenance charges and to make a reasonable contribution to our overhead. It might be between those two figures.

Mr. DRYSDALE: That is what I am trying to arrive at. You said they could not be granted a more favourable rate even if the other company gave you a volume of 600,000 tons. It appears to me that this agreement is setting an inflexible basis.

Mr. MACDOUGALL: No. If you read the agreement, you will note that it is a flexible one, and one which says that if the circumstances on the line are such that the operating and maintenance charges could be covered from other traffic, Pine Point rates could go down to the \$4.76. They are only trying to guarantee to us our full operating and fixed maintenance charges, and if someone else comes in and gives us additional traffic, then they are expected to share this burden along with Pine Point.

Mr. DRYSDALE: Why was the limit of ten years put on, and what do you envisage will happen after that?

Mr. MACDOUGALL: It was a negotiated agreement for some reasonable term, and in industry it is rather usual in agreements of this kind to look at a period of ten years. After the ten-year period they will agree to ship on the same routing and in the same manner and give us their traffic, provided our rates are competitive with any other mode of transport that might develop.

Mr. DRYSDALE: That is taking into consideration the C.N.R. being in the trucking business, and they might be able to get onto a competitive basis.

Mr. MACDOUGALL: They said to us: We will agree; we will make a firm contract for ten years, and agree to carry on with that after the ten years, but will expect your rates to be competitive with any other mode of transport which might develop. There might be another railway built in that area.

Mr. CHEVRIER: I understood from what was said a while ago that this rate is not going to be filed with the Board of Transport Commissioners.

Mr. MACDOUGALL: We must file every rate with the Board of Transport Commissioners, but we do not have to get their approval on the rates. We file them subject to any objection.

Mr. CHEVRIER: Supporting there are objections to the rate?

Mr. MACDOUGALL: Then the Board of Transport Commissioners would be entitled to look into it and decide if, in fact, it is a fair rate.

Mr. CHEVRIER: I am trying to find out what benefit or advantage there is to following the latter suggestion of filing before the board or simply making an agreed charge?

Mr. MACDOUGALL: That is a matter for our traffic officers to decide. They have decided there is no need to make an agreed charge at the present time. Their normal practice is to file an open tariff rate, unless there is some reason to use the agreed charge procedure. They use it where they consider it necessary, but here it was not considered to be necessary. It can be used either way.

Mr. DRYSDALE: From what you have said I presume it can be changed after ten years?

Mr. MACDOUGALL: Yes.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. MacDougall, you have stated that it is intended this rate will be filed with the Board of Transport Commissioners. I take it the rate to which you referred was the \$7.75 rate. I understand that under certain conditions the rate will be \$4.76, while under other conditions it will be \$7.75. How are you going to file the agreements, or rates under those circumstances?

Mr. MACDOUGALL: Mr. Browne, perhaps I could give you the whole picture. We must file two rates which will be companion rates, interlocked together and referred to as such. Namely, the rate from Pine Point to Grimshaw, and

from Grimshaw to Tadanac. These are furtherance rates. There is the Pine Point to Grimshaw rate and the Grimshaw to Tadanac rate. They are separated as such because of the nature of the corporate arrangements. The agreement provides that in certain circumstances the rate may be reduced to \$4.76. In order to do so we have to set up controls and records of tonnages moved and handled so that if it appears necessary to reduce the rate we will then file a tariff with the Board of Transport Commissioners and reduce the rate, which we can do on three days notice, as you appreciate. As the agreement sets out, the ten year term is broken into ten twelve month periods. Operation on the line may commence on the first of September, and that is why it was felt necessary to have ten periods each of twelve months. At the end of each twelve month period a check is made to see how the operation stands regarding a surplus or deficit position. If it is found that the operation is in a position indicating a lowering of the rate, notice would be filed and the rate would be lowered for a sufficient period of time to enable the operation to become balanced, at which time the rate would then revert to the \$7.75 rate.

Mr. BROWNE (*Vancouver-Kingsway*): That would be the rate applied to any shipper?

Mr. MACDOUGALL: Yes, but a shipper would not want to accept that rate, but rather the \$4.76 rate which would probably be the one quoted from Lynn Lake, or some other point from which concentrate is shipped.

Mr. BROWNE (*Vancouver-Kingsway*): In that event another company mining concentrates in that area could ship at certain times of the year at the \$4.76 rate, whereas if that company shipped during other times of the year it would have to pay the \$7.75 rate. In other words, one company could ship only during that period when the \$4.76 rate was in effect while other companies would have to ship at the \$7.75 rate.

Mr. MACDOUGALL: That is perhaps true, but one company would not be in a more favourable position when shipping concentrates than the Pine Point Mine. I do not think such a situation could occur, but it is possible.

Mr. CHEVRIER: Mr. Chairman, I should like to direct one or two further questions to Mr. Purves. Mr. Purves, you were asked a question in regard to the future movement of concentrates, and you stated that the fact that you had invested this money is sufficient assurance in the minds of the officials of the Canadian National Railways of continued economic operation.

Mr. BALDWIN: If I may interrupt, Mr. Chairman, I think Mr. Purves stated that the investment of the Consolidated Mining and Smelting Company was sufficient assurance.

Mr. CHEVRIER: I accept that correction. The point I am trying to get at is, what assurance have you got that the market for concentrates will continue? Have you looked into that situation as opposed to Consolidated Mining and Smelting investments?

Mr. PURVES: We do not have any assurance in that regard, but we do have the other assurance with which we primarily are concerned. That is, the company will ship 215,000 tons per year or pay a penalty.

Mr. CHEVRIER: That only applies insofar as the operational and maintenance costs are concerned.

Mr. PURVES: That is exactly what we are trying to protect in any event.

Mr. CHEVRIER: I see. Mr. Chairman, perhaps I could ask the minister what protection there is in respect to the capital which is to be put in by the government, perhaps to the extent of \$75 millions?

Mr. BALZER: This is provided by the surcharge of \$20 million.

Mr. CHEVRIER: I am sorry but I did not get that. I take it that the minister is referring to the \$20 million in clause 6 (a) of the bill. Is that right?

Mr. BALCER: Yes.

Mr. BALDWIN: This will come from the growth factor of the north country—the future possibilities of the north.

Mr. BALCER: So far as the government is concerned it has already been pointed out that where the government will get an advantage is in the deficit of the C.N.R. going down, and so far as payments by the mine are concerned, clause 6 (a) describes another form by which the government will recover part of the capital cost of the line.

Mr. CHEVRIER: If everything goes according to schedule the government will get \$20 million out of its capital investment, but I am thinking about the rest.

Mr. BALCER: The rest will be by a decrease in the deficit of the C.N.R.

Mr. CHEVRIER: No; I am thinking of the rest of the capital. The government is going to advance \$75 million and more for the construction of this line, \$20 million of which is going to be paid by Pine Point Mines Limited, as specified in clause 6 (a).

Mr. BALCER: Yes.

Mr. CHEVRIER: What I am trying to find out is what assurances about the economics of the concentrates did the government consider before investing this large sum of money? In other words, supposing the market does not continue—as it is now it is all right—supposing tariffs are raised against concentrates and supposing a quota is established, has the overall position been considered by the government with regard to the economics of the project?

Mr. BALCER: This is one risk that the government is taking. I mean the mine itself is also taking a risk and, so far as the government is concerned, we studied the whole possibility of this line, the industrial prospect of such a line, the development of the north and all the advantages that would accrue to the Canadian nation as a whole with the development of a brand new area. We also took into consideration the possible agricultural development of the area, the lumber possibility and the development of new mining ventures. Having done that we came to the conclusion that it was a fair risk for the government to take towards the development of the whole country.

Mr. CHEVRIER: The minister is not concerned or worried about the attempts being made by the United States Congress to increase tariffs against lead and zinc?

Mr. BALCER: We had to take this into consideration, but we also had to take into consideration the fact that Pine Point Mine, which is a private venture, is investing \$20 million. They are in the business and, if they are going to put up such a large investment, it means they also have confidence in the future of the lead and zinc business.

Mr. CHEVRIER: May I ask Mr. Purves a question?

Mr. BALDWIN: Is it a fact that Consolidated Mining and Smelting have made it abundantly clear that they will require this addition of 215,000 tons down at Tadamac in order to maintain their operations at a proper economic level? Both the president and the others in Consolidated Mining and Smelting said that if this occurs in two or three years they may have to import from outside this country foreign concentrates.

Mr. BALCER: That is correct; the import of foreign concentrates would have meant the export of Canadian dollars to quite a heavy rate, and also it would have meant the lowering of production at Trail. Taking all these facts into account, I think this is a good venture for Canadian economy.

Mr. DRYSDALE: Mr. Minister, speaking of future developments could you indicate at what stage negotiations are with regard to the provincial government of British Columbia and Pacific Great Eastern Railway, and the long range link-up of this railway with P.G.E.? That would also be another step in this government's continued development of the north which is converting vision into reality.

Mr. CHEVRIER: You said that without smiling.

Mr. BALCER: I would not like to answer this question because we do not know British Columbia's plans on that subject at present.

Mr. DRYSDALE: But it is something that is being considered to maximize the development of this railway; that is, if this should be economically feasible, it would help Pacific Great Eastern.

Mr. BALCER: I have been informed that all the concentrates that have come out of Pine Point would be moved either by C.N.R., C.P.R. or N.A.R., and at the present time there is no intention of moving those concentrates on any other railway.

Mr. DRYSDALE: That would perhaps be subject to the development of other concentrates in that area, and if it were feasible you would still consider the linking up of the two railways.

Mr. CHEVRIER: We have not discussed the agreement that has been circulated, and I wonder if it would not be possible to get a general idea of the obligations of the four parties to this agreement. While the bill refers to them very briefly in section 6, I think it should be to the benefit of the committee to hear a general statement from Mr. Purves.

Mr. BALCER: Mr. MacDougall would be in a better position to do so.

Mr. CHEVRIER: Could you give the committee that information, Mr. MacDougall?

Mr. MACDOUGALL: I will try to do so, Mr. Chevrier. The general obligation of the C.N.R. is given in paragraph 1, which is the agreement to construct the line on the terms and conditions set out in the agreement, in consideration of the undertaking of Pine Point Mines Limited, to bring the mine into production. The railway company estimates, without commitment, that the line will be completed not later than December 31, 1966. This is acceptable to industry. The industry in Pine Point, in its turn, undertakes to deliver to the railway company for carriage by railway to its destination all the ore or concentrates produced at Pine Point Mines Limited and to give those to the railway company exclusively for ten years, the ten-year term to commence generally as soon as the line is open for traffic.

The agreement provides, at the top of page 3, that if the line should be open for traffic earlier than the end of December 1966 and the industry has its plant ready to ship, and they reach mutual agreement between the two of them they can start to ship earlier than the end of December 1966. The general obligation of Consolidated Mining and Smelting Company is given at the bottom of page 10 of the agreement. Cominco, as principal shareholder of Pine Point Mines Limited, undertakes to provide the funds to Pine Point Mines Limited necessary to bring the concentrating plant into production by the end of December 1966 with a capacity of 215,000 tons annually of lead and zinc concentrates, or either lead or zinc concentrates. The same paragraph, at the top of page 11, shows that Pine Point undertakes to bring the Pine Point mine into production by that date. Those are the basic undertakings of the three parties with respect to getting the industry going and providing a rail service to it.

Mr. CHEVRIER: Did you have anything to do with the negotiation of this agreement?

Mr. MACDOUGALL: Yes, sir, I did.

Mr. CHEVRIER: When did the negotiations begin?

Mr. MACDOUGALL: I think they had begun a long time before I came into it. I was not in them at the beginning. I engaged in them early in this spring, but I think they went on for quite a time before that.

Mr. CHEVRIER: Mr. Purves, could you tell us when they began?

Mr. PURVES: I have not got the date here, but I think they began about last winter. That was when I first took hold of them.

Mr. BROWNE (*Vancouver-Kingsway*): I understand there will be a certain amount of competition developed on general traffic, and competition with the Mackenzie highway. We have been told that the entire operating and maintenance costs of the mine are going to be met out of the ore concentrates to be shipped from the Pine Point mines. I was wondering what the present policy of the C.N.R. would be in regard to general traffic going up into that area, and what their policy would be in dealing with the competition which will develop with the Mackenzie highway. In establishing their rates, will they consider that there are no further expenses to be met on the line, that the operating costs and so on are already being paid, and that the capital costs are not taken into consideration in setting rates? What would be the policy in that regard?

Mr. MACDOUGALL: I think I would say, Mr. Browne, that our policy in regard to setting competitive rates and meeting competition of that kind would be exactly the same as in any other part of Canada. No particular weight will be given to the fact that this industry has agreed to pay all the operating and maintenance charges. That is so because in the agreement with the industry we have made it clear that we only expect them to bear this extra burden so long as there is not a general development of traffic sufficient to bear it itself, as a whole, and that we fully expect and hope most sincerely that traffic, both inbound and outbound, of commodities other than ores and concentrates, will develop to a point where the surcharge which has to be paid here by this industry, to bring the rate up to a point where the maintenance and operating charges are met, will be eliminated so that the traffic will just move along at the normal rates.

Mr. PURVES: May I add that the operating charges applicable to the new traffic will have to be met by that traffic.

Mr. BROWNE (*Vancouver-Kingsway*): I know there will be a certain increase but the maintenance of the line is the only thing.

Mr. PURVES: Yes, the maintenance of the line is the only thing.

Clause 1 agreed to.

Clause 2-5 inclusive agreed to.

On Clause 6:

Mr. CHEVRIER: I am concerned about one or two matters and one of them is this. How will this \$20 million work out? How much of this \$20 million is towards operative cost, if any, and how much has to do with capital? From the discussion and the answers so far, it looks to me as if part of the \$20 million goes for operation and maintenance costs and part for capital costs. Could the minister answer as to how much of the \$20 million will go for operating costs, if any, and how much for these capital costs?

Mr. George A. SCOTT (*Assistant Deputy Minister, Department of Transport*): If all goes well, if the value of the concentrates is such as to produce the \$20 million, this is the maximum, then this all goes to repay part of the capital cost to the government. This amount will vary in accordance with the value of the concentrate. Now, it may be that in the ten-year period the Pine Point

mines may produce more than 215,000 tons or less than 215,000 tons; but in order to protect the position of the railway and remove any possibility of it being an operating loss, it is provided that any surplus built up by Pine Point mines will first be used to meet any deficit. Secondly, if there was not enough money in the surplus, then part of the \$20 million contribution might be drawn upon. If this still did not meet the deficit, then Pine Point Mines would put up the remaining amount of money in cash, to the equivalent of \$7.75 per ton; so that it could be, under certain circumstances, that part of the \$20 million would be drawn upon to meet operating costs. There is also the provision that when the surplus is built up, this surplus goes back to repay anything that Pine Point Mines may have put up in cash, plus any money drawn down out of the government's \$20 million.

Mr. CHEVRIER: That last answer deals with (b) the guarantee to the company?

Mr. SCOTT: Yes sir.

Mr. CHEVRIER: There is the guarantee to the company by Pine Point Mines and then the guarantee by Her Majesty. Do I read this correctly, that (b) contains a guarantee by the Pine Point Mines Limited to the extent of (a) and also a guarantee by Her Majesty on such traffic over the railway lines as will be sufficient to recover the cost of operating and maintaining the line?

Mr. SCOTT: (b) really relates to the cost, if there is a deficiency; and if there has not been enough surplus built up by the mining company at \$7.75 per ton, then it could draw upon part of the \$20 million on the capital side, and that is the undertaking of Her Majesty.

The ACTING CHAIRMAN: Does that answer your question, Mr. Chevrier?

Mr. CHEVRIER: Well, time is of the essence. I think we should be given more time to study this agreement. I do not know how the committee feels about it.

Clauses 6 to 8 agreed to.

The ACTING CHAIRMAN: Shall the schedule carry?

Mr. CHEVRIER: May I ask about the \$171,233 per mile? How is that arrived at? How would it compare, for instance, with other railways into mining territories such as Lynn Lake.

Mr. PURVES: That figure was arrived at by dividing the total by 438 miles, sir. I am sorry that I do not have this table with me. I shall have to get it for you. I thought I had it with me.

The ACTING CHAIRMAN: Are you satisfied, Mr. Chevrier? Mr. Purves could you get the information for the minister, so that he could give it to you.

Mr. CHEVRIER: Could it not be put on the record? Is there any objection to producing this evidence?

Mr. PURVES: Not a bit.

The ACTING CHAIRMAN: Is that agreed?

Agreed.

COST PER MILE

Sherridon to Lynn Lake.....	\$117,000
Terrace to Kitimat.....	\$232,000
Beattyville to Chibougamau	\$113,000
Bartibog to Heath Steel Mines.....	\$103,000
Sipiwesk to Thompson, Man.	\$143,000
Optic Lake to Chisel Lake.....	\$124,000
Hillsport to Manitouwadge	\$109,000
St. Felicien to Cache Lake.....	\$124,000
Mattagami to Mattagami Lake (est.).....	\$140,000

Shall the schedule carry?

Agreed.

Shall the title carry?

Agreed.

Shall the bill carry?

Agreed.

Shall I report the bill without amendment?

Agreed.

That is all. Thank you gentlemen.

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